

## Mitterrand Installed as President



Pierre Mauroy

posed to abhor protocol, looked somber, often tense, and only occasionally relaxed throughout the day. The long schedule of ceremonies included the laying of a wreath at the Arc de Triomphe, a lunch at the Elysee, a visit to the Paris City Hall and a walk to the Pantheon on the Left Bank to pay respects at the tomb of Jean Moulin, a leader of the French Resistance under Nazi occupation, and of Jean Jaures, the founder of the Socialist movement in France in 1901.

Mr. Mitterrand arrived at the Elysee shortly before 9:30 a.m. and was welcomed with a handshake by Mr. Giscard d'Estaing, waiting on the steps of the main entrance. The two men conferred privately for more than 40 minutes, during which Mr. Giscard d'Estaing turned over to his successor the codes controlling the French nuclear deterrent.

More than 500 guests — political luminaries from all the major parties, ranking military officers and government bureaucrats, religious leaders and personal friends of Mr. Mitterrand — milled about the Elysee's cavernous reception hall, the Salle des Fêtes, under glittering chandeliers and finely woven tapestries. Outside the presidential palace, a large crowd of supporters cheered the arrival of leftists and booted at conservative political figures.

"There was only one winner on (Continued on Page 2, Col. 1)

for the installation ceremony. As soon as his meeting with Mr. Mitterrand ended, he crossed the courtyard and — to the whistling and catcalls of Mitterrand backers — walked almost a block to his car and was driven to his Right Bank apartment. A throng of his own supporters had gathered there, and from his window, Mr. Giscard d'Estaing waved his acknowledgment.

Mr. Mitterrand joined his guests in the Salle des Fêtes and was proclaimed president by the head of the Constitutional Council.

He then accepted the heavy gold chain of Grand Master of the Legion of Honor, the major symbol of his presidency. A small controversy had preceded this ceremony because Gen. Alain de Boissieu, a staunch conservative and the son-in-law of De Gaulle, resigned his post as chancellor of the Legion rather than hand the gold chain to Mr. Mitterrand, a longtime political opponent of De Gaulle. A retired army general, André Blard, presided over the ritual instead.

In his five-minute installation speech, punctuated by the booms of a 21-cannon salute in the nearby Tuileries Gardens, Mr. Mitterrand sounded a conciliatory note toward conservatives. He called for national unity and offered himself as "the president of all the French people."

Mr. Giscard d'Estaing chose to



Outgoing French President Valery Giscard d'Estaing, right, greeted François Mitterrand Thursday on the steps of the Elysee Palace in Paris before the transfer-of-powers ceremony.

## RA Inmate Dies; Riots Break Out

Mr. McCreech's body was taken to his home village of Camlough, in South Armagh, where neighbors gathered in the streets to say prayers when they learned that he died just after 2 a.m.

The body was moved before dawn to a hospital near his home, officials said, apparently to prevent IRA sympathizers from organizing a funeral procession to his home through Protestant areas south of Belfast.

His death unleashed new violence in Belfast where hundreds of youths again swarmed onto the streets and showered firebombs and stones onto security forces. They also began hijacking cars and setting up street barricades.

As the traditional Republican chorus of banging garbage can lids and whistling rang out, youths pelted the heavily fortified New Barrises police station in Anderstown with stones and scores of gasoline bombs. The police said troops fired dozens of plastic bullets.

They said that a 15-year-old girl was seriously injured by a plastic bullet during the rioting.

IRA supporters put out black flags, and in Newry, a few miles from Mr. McCreech's home, youths massed arsenals of stones and bottles.

Mr. McCreech, who was serving a 14-year term for attempted murder and possession of firearms, became the third hunger striker to die, following Bobby Sands and Francis Hughes. Mr. Sands died in his 66th day of fasting on May 5 and Mr. Hughes in his 57th on May 12.

An IRA spokesman said Mr. McCreech would be replaced and the latest volunteer was expected to refuse his first meal Thursday.

They Walk Out

About 1,500 European Community civil servants in a salaried one-day protest of the EEC in Irish politics to call elections early.

## INSIDE

## Reagan Meets With Schmidt

President Reagan assured visiting West German Chancellor Helmut Schmidt Thursday that the United States intends to engage in meaningful talks with the Soviet Union later this year on limiting nuclear arms deployment in Europe. Page 2.

## U.S. Reviews Bribery Rules

The Reagan administration has proposed a significant relaxation of the 1977 Foreign Corrupt Practices Act, which was designed to prevent American companies from bribing foreign officials, claiming the legislation was making it difficult for the United States to compete in foreign markets. Page 15.

## Finance and Investment in U.S.

A survey of finance and investment in the United States, a special supplement, appears on Pages 78-145.

## TOMORROW

A special supplement on the world's arts and antiques markets and trends. Among the reports: Hong Kong emerges as the art auction capital of the Far East ... Americana art is now big business in New York ... surveys from Paris, Geneva and London.



UNDER GUARD — Italian policemen escort Mehmet Agca, the Turk who allegedly wounded Pope John Paul II. Mr. Agca was transferred Thursday from police headquarters to solitary confinement in a Rome jail. Story, Page 4.

## S. Sent Mercenaries Into Laos to Seek American Prisoners

"There has been a steady flow of reports about Americans being held against their will in Southeast Asia since the flow of Vietnamese from Southeast Asia began. The U.S. government regularly, and with great care, has tried to check the validity of each of these reports. The United States can be expected to take appropriate action if any of these reports prove to be true. Top priority effort will continue to be assigned to investigate these efforts."

The families of servicemen missing in the Vietnam War have continued to believe that some of their relatives are still alive and are being held captive in Southeast Asia. They have pressured the government repeatedly to try to locate the men and rescue them.

The National League of Families of American Prisoners and Missing in Action in Southeast Asia has complained that the U.S. government has failed to press hard enough to find missing Americans.

It is added that photo interpreters scrutinized photographs last weekend and concluded no Americans in the jungle camp.

At the Pentagon, Col. Ronald A. Duckin, Pentagon news chief, said Wednesday no comment on any special operations

of the other 265, 14 have been released alive as prisoners of war through Hanoi. Laos also has sent the United States the remains of two other U.S. servicemen.

The mystery over what happened to the unaccount-

ed-for Americans in Laos has lent credence to reports that some are still being held prisoner there. The Seattle Post-Intelligencer in February quoted Sayfou Phoumsavan, a former Royal Lao Air Force pilot, as saying on the basis of refugee reports: "There are today 40 or 50 Americans, most of them pilots, who were shot down over Laos during the war, being held prisoner there now."

Presumably on the basis of such reports, the U.S. intelligence community intensified its overhead spying on Laos. Sources said satellite photos showed shadows on the ground in the Laotian camp that some interpreters believed were too big for Asians.

Also, the photos suggested that the word B-52 had been spelled out with bodies or logs within the camp during one pass of a satellite or SR-71 Blackbird spy plane. One theory was that this was a signal from desperate American POWs imprisoned as slave laborers in the jungle.

Other overhead pictures, sources said, showed what looked like a guard tower and earthen barriers to keep people in what appeared to be a prison compound. However, this overhead evidence was not conclusive enough to justify a risky military action like the Iranian rescue attempt. Even if there were Caucasians in the camp in Laos, defense officials said.

the compound, as the photos of shadows and tools indicated, they might be Soviet advisers there or their own free will. Rescuing them would be a tragicomedy.

It was this lack of hard evidence that spawned the U.S. effort to recruit and train a team of Asians to go overland from Thailand into Laos to get a close look at the captives. Sending in a U.S. team would have caused an international storm of protest if it were detected.

Just how the team of Asians was recruited and how much they were paid could not be learned. But sources indicated that the fee was handsome and the training extensive.

The Asian mercenaries apparently ran into difficulties shortly after they got into Laos, causing them to delay their mission.

The team, believed to consist of 20 to 30 men, was said to have gotten close enough to the camp to study its inhabitants and report back that no Americans or any other Caucasians were in the compound.

The U.S.-sponsored foray came after POW families sought to launch such a mission on their own. This earlier, private plan was aborted after the group ran out of money.

The Washington Post learned about the secret, officially backed mission into Laos before it was launched, and agreed to withhold publishing the information as long as there was any chance of Americans being identified and rescued. Top officials now have firmly concluded that there are no Americans in the camp in Laos, defense officials said.

## Begin Makes New Demands In Syria Talks

By William Claiborne  
Washington Post Service

JERUSALEM — Injecting a new element into the negotiations to defuse the Syrian-Israeli crisis, Israeli Prime Minister Menachem Begin demanded Thursday that Syria remove not only its surface-to-air missiles deployed in Lebanon, but also the newly installed missiles inside Syria near the Lebanon border.

Mr. Begin also said that Syria must offer a commitment not to fire any of its missiles against overflying Israeli aircraft.

In a U.S. television interview broadcast from his Jerusalem office, Mr. Begin said that Syrian fulfillment of those conditions was necessary to return the situation in Lebanon to the "status quo ante."

On that question, Mr. Begin said: "We have the same stand, a consensus — Israel and the United States of America — about which we are very happy."

"Pretty Tough"

The U.S. Embassy in Tel Aviv declined to comment officially on Mr. Begin's statement, but a U.S. diplomat, when read a transcript of the interview, said: "It's pretty tough."

Mr. Begin's comment, representing a demand to control Syrian military deployment on sovereign Syrian soil, appeared to pose a new problem for the U.S. special envoy, Philip C. Habib, who has been shuttling for two weeks between here and Damascus in an attempt to resolve the Israeli-Syrian confrontation and avert a Middle East war.

The crisis began to escalate on April 28, when Israeli fighters shot down two Syrian helicopters that had been used to resupply Syrian forces attacking Israeli-supplied Christian militias in the Janin mountains northeast of Beirut. The next day Syria deployed the first of 14 surface-to-air missile batteries, five in Lebanon's Bekaa Valley and nine just across the frontier inside Syria.

When asked about Mr. Habib's efforts to restore the delicate balance of policy objectives that existed in Lebanon before the missile deployment, Mr. Begin replied in the televised interview:

"Status quo ante, I must tell you, is not only removal of the missiles. Status quo ante is composed of three points. One, the missiles should be removed from

Lebanon proper and additional missiles which were placed on the Syrian-Lebanon border should be removed, and there should be a commitment, because the status quo ante was that never did Syria use missiles against us, although they are placed on their side of the territory."

"They should give us a commitment that they will not use [them] in the future, the missiles against our planes."

The second and third points, he said, were that the Syrians must withdraw from the Sanin mountain range and ready the Christian city of Zahlé from its siege.

Mr. Habib remained in Israel on Thursday, apparently to resume his shuttle diplomacy, which so far has taken him to Beirut, Damascus, Riyadh and Israel. Mr. Habib reportedly was waiting for a clearance from Damascus to meet again with Syrian President Hafez al-Assad.

After meeting with Mr. Habib on Thursday, the Israeli opposition Labor Party leader, Shimon Peres, said that the situation had been gained as a result of the U.S. diplomatic effort, but that the situation remained "serious."

Mr. Peres said he supported the government demand of a return to the status quo ante, including removal of the missiles from Lebanon, and Israeli Air Force freedom of movement in Lebanese skies.

(Continued on Page 2, Col. 5)



Philip C. Habib

## 953 National Figures Tied To Italy Masonic Scandal

By Henry Tanner  
New York Times Service

ROME — Italy is being rocked by a scandal that could dwarf all the many other scandals that the country has endured for the last 30 years.

The government of Premier Arnaldo Forlani early Thursday morning published the names of 953 leading national figures — Cabinet ministers, legislators, judges, generals, police officials, party leaders, journalists, bankers — who allegedly banded together in a single Masonic lodge that has been linked to a wide variety of criminal activities, including a project for a political coup.

So far, about 50 of those named have denied that they were members of the lodge. Others declared that they had no knowledge of the illegal activities of their fellow Masons.

Nevertheless, the inescapable impression is that for the last five or six years there has existed in Italy a closely knit secret organization in which ranking military and civilian officials and captains of the economy were sworn to promote each other's interests and not those of the country.

100-Year Organization

The lodge — CAL P-2, short for Masonic Lodge Propaganda Due, Oriental Rite — was founded about a hundred years ago and has been under police investigation for the last five years. It is one of about 550 Masonic lodges in Italy.

Its grand master, Licio Gelli, a rich, self-made businessman with wide international connections, is hiding, probably abroad. He acquired Argentinian citizenship some time ago.

Mr. Gelli came to the attention of Italian police at the time of the fake kidnapping of Michele Sindona, the bankrupt Italian financier who sought to escape trial in New York by fleeing to Europe. According to police sources, Mr. Gelli was accused of having been involved in the supposed kidnapping and of complicity in attempted extortion.

On Wednesday, in a move that shook the Italian financial establishment, Milan police arrested Ro-

berto Calvi, president of the Banco Ambrosiano, and six leading officials of Lci Centrale, a financial company also controlled by Mr. Calvi. Carlo Bonomi, head of the Invest Financial Co. of Milan and linked to Mr. Calvi, was also arrested Wednesday.

Illegal Export

Mr. Calvi has been a member of Masonic Lodge P-2 and a close associate of Mr. Gelli, and is a one-time friend of Mr. Sindona. One of the charges against Mr. Calvi is that his banks illegally exported large sums of capital from Italy, an accusation that arose when police raided Mr. Gelli's country house in Arezzo, Tuscany, last March.

In the meantime, Ugo Zilletti, a leading Mason who was the active head of the Supreme Council of Masons, resigned after allegations that he had improperly helped Mr. Calvi get back his passport, which had been confiscated. Mr. Zilletti is alleged to be a member of Lodge P-2 but has denied it.

Another name on the list of Lodge members is Gen. Raffaele Giudice, former commander of the Guardia di Finanza, the paramilitary force specializing in border control and anti-smuggling operations. Gen. Giudice is in jail in connection with a huge petroleum tax evasion scandal that broke last fall.

Carabinieri

Also on the list are about 30 officers of the Carabinieri, Italy's most prestigious police corps. Gen. Carlo Dalla Chiesa, one of the ranking generals of the Carabinieri, was listed as a candidate for membership in the lodge. He was quoted as saying he had applied in the hope of finding out if any Carabinieri were in the lodge.

Gen. Giovanni Grassini, the chief of SISDE, the secret intelligence and security service of the Interior Ministry, and Gen. Giuseppe Santovito, the head of SISIM, the military security organization of the Defense Ministry, are on the list of members of Lodge P-2 submitted to Premier Forlani by investigating magistrates in Milan.

## Socialists Maintain Informal Manner As Power Passes in Paris Ceremonies

By Joseph Fitchett  
*International Herald Tribune*

PARIS — In a day charged with political symbolism, the installation ceremonies Thursday for President François Mitterrand in the Elysee Palace marked the moment when French Socialists returned to power after a generation in opposition.

"I haven't set foot here since 1953," said a Mitterrand aide, re-

ferring to the days when Vincent Auriol, a Socialist, was head of state. Since then, the aide has declined the rare invitations to functions at the Elysee, the palace near the Champs-Elysées that houses the French presidency.

Under former President Valéry Giscard d'Estaing, the Elysee was run with stylish protocol that critics labeled monarchical. The Socialists, while often sounding slightly

dazed at finding themselves in surroundings identified with the political enemy Thursday, made a point of maintaining their informal manner and businesslike dress — in contrast to the emphasis on elegance under recent French governments.

Mr. Mitterrand last called at the Elysee three years ago when Mr. Giscard d'Estaing invited him for a chat that was part of a short-lived attempt to drain some aspirations from French party rivalries.

This time the Socialists issued the invitations — French high officials and politicians whose presence was dictated by protocol, local representatives from Mr. Mitterrand's electoral district and other fellow Socialists and their wives. On Mr. Mitterrand's personal guest list there were no members of the defeated president's camp — nor any Communists, despite the party's electoral support.

He moved along a U-shaped line accepting congratulations. President Mitterrand paused deliberately in front of the last guest — Pierre Mendès-France, the French non-Communist left's elder statesman.

Mr. Mendès-France, who started his political career under Prime Minister Leon Blum in the Popular Front government in 1936, was the outstanding center-leftist leader during the revolving-door governments of post-war France. He earned international respect as a politician who disengaged the French Army from Indochina and an economist who helped modernize France.

"The cohesion of French society is more necessary than ever," said Mr. Chirac. "Respect for others and realism in action are also more necessary than ever."

Responding to the veiled criticism, Mr. Mitterrand asked the mayor: "Who better than the president... can express the profound desire of our people for unity?"

Leaving the City Hall, the new president walked across the Seine and up toward the Pantheon since the strains of the "Hymn to Joy" movement of Beethoven's Ninth Symphony, and deposited small wreaths at the tombs of Moulin, the Resistance fighter, and Socialist leader Jaurès.

A school holiday was decreed to allow students to view the day's ceremonies on television. This is the first time since De Gaulle established the Fifth Republic that there has been a normal succession of presidents. De Gaulle quit abruptly in 1969 after failing to get popular backing for a referendum. Georges Pompidou died in office in 1974. And Mr. Giscard d'Estaing took over a month later after narrowly defeating Mr. Mitterrand.

In the afternoon, Mr. Mitterrand, accompanied by Mr. Mauroy, was driven in an open car from the presidential palace to the Arc de Triomphe, where he lay a wreath at the tomb of the Unknown Soldier. On the way, along the Champs-Elysées, the president waved to tens of thousands of well-wishers who had turned out despite rain showers.

In a departure from the rigid formality of the Giscard years, there was hardly any protocol at the Arc de Triomphe. The guests — old friends of the president, former members of the Resistance like himself, foreign Socialist politicians, writers and artists — lined up wherever they could find a place and waited to shake Mr. Mitterrand's hand. Many of them joined the president later for lunch back at the Elysee Palace.

The varied list of foreign visitors included former West German Chancellor Willy Brandt, former Portuguese Premier Mario Soares, the Greek film actress Melina Mercouri, and the American playwright Arthur Miller.

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But the new president emphasized his firm attachment to Socialist ideals. "In today's world," he said, "what greater duty could there be for our nation than to achieve the new alliance of Socialism and freedom, what greater ambition than to offer it to tomorrow's world?"

### Developing Countries

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Shortly before 12:30, Mr. Mitterrand, accompanied by Mr. Mauroy, was driven in an open car from the presidential palace to the Arc de Triomphe, where he lay a wreath at the tomb of the Unknown Soldier. On the way, along the Champs-Elysées, the president waved to tens of thousands of well-wishers who had turned out despite rain showers.

In a departure from the rigid formality of the Giscard years, there was hardly any protocol at the Arc de Triomphe. The guests — old friends of the president, former members of the Resistance like himself, foreign Socialist politicians, writers and artists — lined up wherever they could find a place and waited to shake Mr. Mitterrand's hand. Many of them joined the president later for lunch back at the Elysee Palace.

The varied list of foreign visitors included former West German Chancellor Willy Brandt, former Portuguese Premier Mario Soares, the Greek film actress Melina Mercouri, and the American playwright Arthur Miller.

In the afternoon, Mr. Mitter-

rand paid the traditional visit by a new president to the Paris City Hall, where he was received by the neo-Gaullist mayor, Jacques Chirac, who has emerged as the leader of the conservative opposition.

But the new president emphasized his firm attachment to Socialist ideals. "In today's world," he said, "what greater duty could there be for our nation than to achieve the new alliance of Socialism and freedom, what greater ambition than to offer it to tomorrow's world?"

Developing Countries

He also asserted that his government would stand out strongly in favor of developing countries. "France will say with force that there cannot be a real international community while two-thirds of the planet continues exchanging their people and their assets against hunger and scorn," he said.

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## Senate Approves Reagan Budget, Pending for Deep Spending Cuts

LONDON — Hundreds of flights were canceled Thursday as a result of a strike and most widespread strike in Britain's Heathrow Airport since 1974. About two-thirds of the 110,000 flights a day were delayed or canceled.

TON — The Senate congressional approval of President Reagan's \$695.5-billion budget for deep spending cuts except defense, coming as the Senate was to meet a week later, came one day after a heated debate over Reagan's plan to roll back domestic programs while increasing up U.S. military might.

It also makes room for President Reagan's controversial three-year, 30-percent tax reduction, or another tax cut of the same size — about \$34 billion. However, the measure does not endorse the Reagan tax cut.

It projects a federal deficit of \$37.7 billion — much less than President Reagan's projection.

The compromise measure was

### Ghagh Urges Reduction in Army Rather Than Navy

BRUSSELS — West Germany's conservative government has proposed halving the British Trident missile, a key part of the military policy that was approved. The vote was 313-232 for the government. Labor is pledged to abandon nuclear arms should it return to power.

There was no rebellion in the ruling party but many Conservative politicians have reacted strongly against suggestions that Britain's surface fleet would be reduced.

Mrs. Thatcher and Defense Secretary John Nott have denied press reports of cuts and emphasized that no final decisions have been taken.

Mrs. Thatcher also emphasized, when questioned Tuesday in Parliament, that the government was keeping to its NATO commitment to increase military spending by about 3 percent, taking inflation into account.

But Mr. Nott admitted in the debate that a wide-ranging review of military priorities could result in fewer surface ships and more hunter-killer submarines.

Mrs. Nott, reacting to Mr. Callaghan's suggestion of a cut in the number of British troops in West Germany, said another NATO ally would have to take over part of Britain's role. Mr. Nott said that if the government took this course it would create political difficulties in Western Europe.

Mrs. Thatcher fired Mr. Speed on Monday night. His warnings last week about what might be in store for the navy created a furor among many rank-and-file Conservatives committed to bolstering military forces.

This was followed by widespread leaks — suspected to come from service chiefs — to newspapers about possible military cuts.

The reports said the military budget would be cut by up to \$20 million, the navy taking the brunt, and the forces in West Germany would be reduced almost by half.

They added that Mrs. Thatcher's controversial plan to buy the U.S. Trident nuclear missile system at a cost of about \$12 billion would remain intact.

Winding up the debate, Mr. Nott told the Commons: "If the defense secretary cannot ask for facts and opinions from the service boards without them being advertised as plans, and if every service aspiration which is confounded is published as a cut, we are living in a kind of hell, not in a democracy."

### India Talks End in N.Y., o Affirms

PHILIPPINE Foreign Minister Romeo said Friday that an international conference on Cambodian refugees in New York will start with or without the participation of Vietnam and the

Association of Southeast Asian Nations. Mr. Romeo said: "We don't say with whom we want to go or open... If they say, if they don't, it's not for us to say."

He who heads the conference, Mr. Romeo, will be held on July 13. Secretary-General Kurt Waldheim of the Soviet Union, who proposed the idea of the meeting, was not present.

Mr. Romeo said: "The idea of the meeting was proposed by two ASEAN ministers: Singapore and Malaysia, and it recognizes Cambodian government by Vietnamese-led an two years ago."

### ing Calls a Crew of 2 New Jet Safer Than 3

hard Winkin *Times Service* TON — Boeing Co. told a presidential panel at a two-pilot crew than a three-member crew on the advanced will start in July. One official said there had been a mistake in a conventional crew cockpit in the

Taylor, a vice president test pilot for the manufacturer, had said automation had the need for a crew and he rejected the right to have a new member aboard.

Studies had shown that a crew member, communication and in operating an aircraft, the incident data reveals at coordination, he told the three-House panel, which the question. Of 10 but to mismanagement, five involved incomplete coordination in loss of the aircraft.

### ing's Stake

much at stake in the of the presidential it plans to introduce airframes, the wide conventional aircraft are to go into service and in 1983, respectively.

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## Basque People Grow Weary From Years Of Political Violence

By James M. Markham  
New York Times Service

VITORIA, Spain — It was a typical day in the Basque provinces. In Lemona in Vizcaya province, two Civil Guards were killed when terrorists of the Basque separatist organization, ETA, detonated a land mine under their jeep. In Vizcaya and Guipuzcoa provinces, a score of Basque radicals were accused under harsh anti-terrorist legislation of helping ETA.

"You know we've had two more," said Carlos Garaioceta, president of the regional government. He did not have to explain further.

But some things have changed here. Herri Batasuna, an above-ground coalition that supports ETA, has lost its ability to marshal people for demonstrations. Widespread denunciations of its leaders have brought only muted protests.

After having complained for several years that Basque autonomy was a fiction, Mr. Garaioceta and his Basque Nationalist Party have been given powers over education, industry, transportation, health and industry in the region and, more important, a budget of their own.

### Dreams Linger On

It is less than many Basques demand. There have been costly delays in developing a Basque police force that could one day take on ETA, and Mr. Garaioceta is critical of Madrid's "paternalist" attitudes toward his party, which has never truly buried its dreams of an independent Basque nation.

But home rule is no longer a mirage. "We have done better than the Catalans, though it is not in our interest to say so," acknowledged Xabier Arzaluz, a former Jesuit who is the president of the Basque Nationalist Party.

The Basque region is far from being pacified, but most of its people are weary of violence, and its radicals are clearly worn out by the years of protest, elections, marches and confrontations. They are frightened, too, by the unsuccessful military coup of Feb. 23. Basques know that their demands for home rule and ETA's killings provoked the coup.

"On Feb. 23 it was clear that the Basque people were not ready to confront the military," said Mario

Father's Day Proclaimed

The Associated Press  
WASHINGTON — President Reagan has signed a proclamation designating June 21 as Father's Day.

Onaindia, a leader of Euskadi Ekerra, an important Marxist grouping. "It turned out that the 'Basque Army' was not an army, but just a group of provocateurs."

Mr. Onaindia was speaking of ETA, and his words carry a special weight. A former ETA guerrilla, he was condemned to death by the Franco regime, then reprieved. For several years Euskadi Ekerra has been the political arm of ETA's more flexible "political-military" wing. After the coup, it proclaimed a cease-fire, but ETA's hard-line "military" wing kept on killing.

Mr. Onaindia believes that the attempted coup has strengthened "the determination to take the guns away from ETA," a goal he endorses. "There has not been a popular reaction against the arrests," he continued, referring to the crackdown on ETA's sympathizers and Herri Batasuna. "The police are doing the same thing as ETA-military — they are wearing down the people. People are numb."

The central government's decision to dispatch 2,000 troops to the mountainous frontier with France to stem ETA's infiltrations has also caused little controversy. Many Basques regard the national police and paramilitary Civil Guard as occupying forces, and they were expected to view the deployment of troops here with alarm. But the soldiers are out of sight, and since the attempted coup even Basque radicals have been wary of criticizing the army.

### Signs of Backlash

The gradual isolation of ETA could be reversed, however, if Premier Leopoldo Calvo Sotelo were forced into declaring a state of emergency here to appease the army. He is reportedly reported to be ready to resort to emergency measures if ETA strikes another drama.

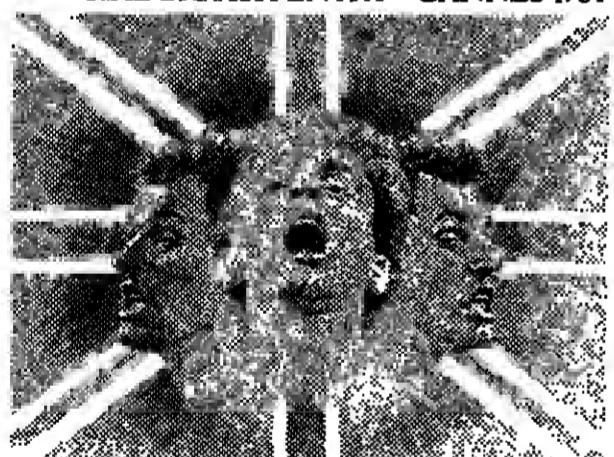
There are already signs among Basques of a new anti-Madrid backlash as some policemen and Civil Guards, emboldened by the coup attempt, have stepped up harsh interrogation of suspected ETA sympathizers and militants.

"If the people do not collaborate with the Civil Guard it is because they consider them the enemy," Mr. Arzaluz said. "If we had been given our police powers sooner, we could have confronted ETA, and don't think we are going to lose our nerve in a confrontation with them. We think that to end the terrorism, the first thing that has to be done is to have confidence in the people."

## PARIS AMUSEMENTS CINEMAS - THEATERS - RESTAURANTS - NIGHT CLUBS

GAUMONT COLISEE (DÉCOR) (v) (v)  
RAUDEFOLLE PATHÉ (EXCELENCE) (v) (v) GAUMONT HALLES (v)  
PLM ST. JACQUES (v) (v) MONTPARNASSE 53 (v)  
FRANÇAIS PATHÉ (v) (v) GAUMONT CONVENTION (v) (v) LES NATION (v)  
Périphérie : PARLY II

## OFFICIAL BRITISH ENTRY · CANNES 1981



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TWENTIETH CENTURY FOX AND ALLIED STUDIOS PRESENT AN ENIDMAGNIFICENT PRODUCTION  
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DIRECTED BY LINDA ALEXANDER, STARRING CHARLIE CAMPBELL, MICHAEL HAYES, BRAD DAVIS, ALICE KIGG, BEN CROSS, IAN CHARLESON, MICHAEL HAYES, CHARLIE CAMPBELL, ALICE KIGG  
Screenplay by COLIN WELLAND Music by MANGOLD, Score by DOUG RAYNER  
Produced by DAVIDSON, Directed by ENIDMAGNIFICENT

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Direction: JACQUES TROYER  
régoit des troupes étrangères prestigieuses.  
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United Press International  
Japanese anti-nuclear protesters, along with several American pacifists, demonstrated Thursday outside the U.S. Embassy in Tokyo over movements of U.S. Navy vessels carrying nuclear arms.

## Suzuki's Troubles May Affect U.S. Ties

By Henry Scott Stokes  
New York Times Service

TOKYO — The government of Japan has recently run into a series of mishaps, disputes and embarrassing disclosures — all unrelated but forming a pattern of difficulty for Premier Zenko Suzuki — and the question is how seriously these affect the relationship with the United States.

At the government level, ties appear likely to remain close. Both governments are determined to strengthen relations, as shown by the recent Washington visit of Mr. Suzuki, who had cordial talks with President Reagan.

But there is a mood of quiet disenchantment with the United States and mistrust of it because of recent events, and that has to limit what the government does.

Among the causes of this mood are two incidents at sea. Last month the U.S. nuclear-powered submarine George Washington collided with and sank the Nissho Maru, a Japanese merchant ship, with the loss of two lives. Japan erupted with protests because the submarine left the scene without rescuing the 13 survivors. The U.S. Navy issued a report that said the captain of the Japanese, according to 1975 rules, suspected that U.S. nuclear weapons were here but confirmed it was a lot for public opinion to swallow.

The government insists on the official position held for years that there has been no "introduction" of nuclear weapons to Japan. But this goes against the spirit if not the letter of the established government principle that Japan shall not make or own nuclear weapons or allow them into the country.

Then on Saturday, U.S. ships on joint exercises with the Japanese in the Japan Sea ran into and cut the lines of fishing vessels, which trail as far as 20 miles in this season. Expensive equipment was damaged, and the Japanese have difficulty understanding why the exercise was conducted in waters known to be cluttered with the fishing lines at this time of year.

The United States is expected to make full and swift compensation for both accidents. But they drew nationwide attention, partly because Japan is one of the world's great fishing nations and has one of the largest merchant fleets.

The next trouble was the sudden resignation of Foreign Minister Masayoshi Ito last weekend after his return from Washington with Mr. Suzuki. Mr. Ito was virtually forced out of the Cabinet by Mr. Suzuki's harsh, repeated criticism of what the premier regarded as Foreign Ministry incompetence in handling a communiqué on the talks.

Mr. Suzuki appears to be on weak ground, because he approved the communiqué in advance. It called for an "alliance" with the United States and seemed to agree to increased military spending — a point on which the United States has been pressing Japan. Then Mr. Suzuki explained that he had told Mr. Reagan that Japan could do little more on defense.

The effect of the squabble was to give the Japanese the impression of a leader who vacillated in the

face of U.S. pressure for much higher military spending, the prime topic of political debate in Japan.

Concern over the United States and military matters was worsened this week by former Ambassador Edwin O. Reischauer's discussion of what he called an "oral agreement" under which Japan allows

### NEWS ANALYSIS

U.S. ships and planes carrying nuclear weapons to visit or pass through Japan. Some, like the carrier Midway of the 7th Fleet, are based here, presumably with nuclear weapons aboard.

Mr. Reischauer's remarks raised a storm because the opposition has long insisted, and the government has denied, that there was such an agreement. About three-quarters of the Japanese, according to 1975 rules, suspected that U.S. nuclear weapons were here but confirmed it was a point for public opinion to swallow.

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Feelings run high. In a meeting with Japanese reporters Wednesday, Mr. Suzuki was charged with leading a "government of lies." Such language is unheard of in public here, let alone when it is the premier who is being addressed.

The result was a week that appeared to be the most uncomfortable for U.S. diplomats in Japan in recent memory. Mr. Suzuki put the responsibility for not bringing nuclear weapons into the country on the Americans when he said, "We have trusted the American position, we shall continue to trust it." But trust is a sore point.

It appears to be certain that U.S. hopes for military cooperation with Japan will not be quickly fulfilled given the present mood.

### Naval Exercises Suspended

TOKYO (AP) — Japan and the United States agreed Thursday to suspend joint naval exercises after complaints from fishermen that their equipment was damaged by military vessels, Japanese authorities said.

A Japanese official said "there is a very small possibility" that the two countries' ships were responsible for the damage, and that the matter was being discussed with U.S. military officials. The latter have suggested that Soviet anti-submarine exercises may have caused the damage.

The government's analysts say that since the coup that brought the military junta of Gen. Kenzo Eriksen to power last September, activity on the left's fringe, where opposition to the military regime is strongest, has stepped up. Labor union and church workers among migrant laborers accuse the government of turning a blind eye to extremism on the right.

### Integration Problems

The rising militancy among Turkish workers is sometimes attributed to Bonn's sluggishness in socially integrating Turkish workers and their families, who remain aloof from German life because of deep differences in language, lifestyle and religion. Most of the 1.4 million Turks are Moslems.

The major leftist extremist organization is the Federation of Turkish Labor in Germany, or FIDEF, a grouping of two labor unions that claims to have about 20,000 members. FIDEF is closely allied with the outlawed Turkish Communist Party, which has its headquarters in exile in East Germany. West Germany's labor union movement avoids all contact with FIDEF.

The major rightist organization is the Federation of Turkish Democratic Idealists Association, or Turkish Federation, an umbrella organization for about 200 purely cultural groups throughout Europe. The federation's headquarters in Frankfurt says it has

been suspended from party activities in the past week.

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## A Safe Haven for Boat People

A report by William Branigan of The Washington Post (IHT, May 21) provides a grim reminder that the Vietnamese boat people have not gone away. What's more, their numbers are increasing. Hong Kong reports that it has taken in twice as many Vietnamese refugees this year as during the same period last year. And the United Nations High Commissioner for Refugees says that 10,000 Vietnamese arrived in Asian countries last month, double the rate for the first three months of this year. That is nothing like the 55,000 refugees registered by the High Commissioner in June, 1979, one month before Hanoi agreed to curb the flow. But it is still a large number of people and it does not reflect the substantial number who die at sea.

Stories of death from starvation, drowning or murder by pirates are still commonplace. So are those of rape and fingers severed to steal rings. Thousands may die every month in their attempts to escape from Vietnam. They are ethnic Chinese and Vietnamese, they come from the north and the south. And along with the boat people, other thousands are making the dangerous overland trek through war-torn Cambodia to Thailand. They are all risking their lives to leave Vietnam. And they go without any real assurance of a better life once they reach Thailand, Malaysia, Indonesia, Hong Kong or Singapore.

No one knows whether the increase in the refugee flow signals a surge comparable to the tidal wave that swamped Asia in 1979. But if it does, the United States and its allies

in Asia (including Japan) and Western Europe, should be prepared to deal with it this time. Countless lives were lost in 1979 when Asian countries refused to let boats land. During the first six months of 1979, Malaysia alone forced out to sea 55,000 Vietnamese boat people. This happened in part because it looked like Malaysia would have to absorb all the refugees who landed, rather than just serving as a way station to final destinations. The same was true of other countries.

Now, the United States is holding up on admitting Vietnamese refugees in a classic conflict between foreign and domestic policy. Refugees, whether Vietnamese, Cambodian, Cuban or Haitian, are a political problem at the moment in the United States. Congress wants to limit their numbers by restricting admission to those who are fleeing persecution as opposed to privation. That is creating concern in various Asian countries that they could be in for a repeat of 1979. The State Department sees that as detrimental to U.S. foreign relations and is urging that the United States accept economic as well as political refugees.

As usual, the human considerations are lost in all of these national arguments. The refugees are people. Once they leave Vietnam they cannot go back. Some arrangements must be made to look after them. They must not be denied safe haven like so many of their predecessors if they are lucky enough to reach a foreign shore. Preparations should begin now to prevent that from happening.

INTERNATIONAL HERALD TRIBUNE

## Pretending There's a Lebanon

Having painted themselves into a corner in Lebanon, Syria and Israel seem alternately appreciative and contemptuous of U.S. mediation. For a time, they appeared dangerously close to believing that the United States needed peace even more than they. That brought a useful warning that Washington feels no requirement to get paint on its shoes.

Now the U.S. suggestions — and Saudi offers of financial aid to Syria — seem to be getting a more respectful hearing. But the situation remains vulnerable to miscalculation. And the way back from the brink in Lebanon depends, precariously, on reviving the fiction that there really is a Lebanon.

Miscalculations aside, this confrontation can end only if both Syria and Israel genuinely want it ended. Their actions suggest they do, but there are rash voices in each camp.

Pan-Arabists say that a few battles will restore the united front against Israel, isolate Egypt and perhaps even jeopardize its peace with Israel. Some Israelis say the Camp David peace needs to be tested by fire before the rest of Sinai is returned to Egypt. Others want to enhance Israel's position in Lebanon, or just win votes in a close election campaign.

But both nations have good reason to shrink from a fight. The Syrians would risk great physical punishment and diminished capacity to control affairs in Lebanon. The Israelis, though stronger, would not gain any military advantages. It would be costly to knock out the offending — and replaceable — Syrian anti-aircraft missiles from the air. Ground action would lead to a protracted war of attrition.

So as Philip Habib seems to have discovered in his shuttles around the region, there may be ways to pare this crisis into a series of new understandings. The main issue turns on

Syrian and Israeli poaching rights in ravaged Lebanon, whose civil war has stripped it of all legal and military attributes of sovereignty. Resolving the crisis nonetheless requires a minimal respect for Lebanon's frontiers, government and army.

The Israelis would let Syria's occupation force operate unmolested in most of Lebanon if they retain air rights for reconnaissance and retaliation against Palestinian camps. Only after the Israelis shot down two Syrian helicopters operating against Lebanon's Christians did Syria roll in the Soviet-made missiles that Israel insists on removing.

If the Syrians move the missiles in stages back across their border, the Israelis can probably be persuaded to limit their flights over Lebanon to reconnaissance. And even this might be curtailed if the United States gives Israel access to its satellite photographs. The provocative Syrian helicopter attacks might then be stopped if the Lebanese Christians and Syrians would feign deference to Lebanon's modest army in the disputed Bekaa Valley. And even Israeli strikes at Palestinians might be limited if Syria undertakes quietly to help prevent their cross-border guerrilla attacks on Israel.

There is no reliable evidence that the Soviet Union either willed this confrontation or, as it declares, is helping to resolve it. But Saudi Arabia seems ready to resume its sizable aid to Syria to facilitate agreement and win U.S. gratitude.

Add a measure of pretense and a deal is in sight. What passes for the Lebanese government could propose all the new arrangements, sparing Israel and Syria the embarrassment of yielding to each other. Wouldn't everyone be better off if there really were a Lebanon? That's a matter for calmer days.

THE NEW YORK TIMES

## The Puzzle of Interest Rates

The bond markets and the interest rates constitute a continuous public opinion poll on the future of the economy. To the indignation of the Reagan administration, interest rates have been moving sharply up this spring. The market's behavior seems perverse and unfair to the White House. The president is making strong progress with his budget, and the recent figures show inflation declining. Why aren't interest rates responding to the good news?

The beginning of the answer is that a lot of people have lost serious amounts of money over the past several years by underestimating the momentum of inflation. They do not intend to repeat the mistake. The administration had hoped that a showing of serious intention by President Reagan would be rewarded immediately by a change in the market's view of the future. That has not happened so far.

The administration and the Federal Reserve are now committed to unprecedentedly close restraint of the money supply. But the economy has been growing more strongly than most people expected, and this growth, pressing against a sharply constrained money supply, is also pushing interest rates up.

THE WASHINGTON POST

According to the conventional view, high interest rates discourage people from borrowing and that, in turn, holds down sales and investment. But there's an interesting debate under way among bankers and brokers whether this view has any relationship to the way that the economy is actually working.

Whatever the relationship between interest rates and the rest of the economy, it's nothing familiar, neat or simple. People have become accustomed to high rates with astonishing speed.

Financial practices are now changing rapidly, in response to high inflation and high interest rates. No one can accurately foresee the direction that this evolution will take, but it clearly has large implications for Mr. Reagan's economic strategy. It means that high interest no longer works reliably as a brake on inflation, and the danger of inflation is correspondingly greater than it seemed as recently as a year ago. The president is going to have to choose between his commitment to a series of large tax cuts and his commitment to lower inflation. Getting the inflation rate down is now far more urgent.

THE WASHINGTON POST

## In the International Edition

### Seventy-Five Years Ago

May 22, 1906

WASHINGTON — Mr. Taft, Secretary of War, is growing "thin" — that is, relatively. Having by strict training reduced his weight to 250 pounds, he ate his first "square meal" in five months today. He has decreased his weight 76 pounds since December. From Pittsburgh comes the report that by marrying his mother's French maid, who is known to the family only as Frances, Mr. John A. Moorhead, grandson of one of Pittsburgh's wealthy steel manufacturers, is likely to lose a fortune. Mr. Moorhead graduated from Yale in 1904. At college he played football. He cared little for local society. When his parents noticed his attentions to the maid, they warned him he would be disinherited, but he persisted.

### Fifty Years Ago

May 22, 1931

PARIS — Today's editorial in the Herald reads: "At the Monday session of the League of Nations, Litvinov, the Russian foreign minister, accused the other countries of 'dumping' merchandise in the world markets at prices below the cost of production and denied that his own country did this. How entirely of a piece with the audacity for which Soviet diplomacy and other action abroad have become famed is this impudence! The one thing of value that the delegate uttered was the quasi-admission that Moscow policy now seeks a compromise between collectivism and capital. This implies that there is urgent need of working funds from abroad for the continuation of the 'five-year plan.'"



## The Quiet Hunger Strikers

By Murray Seeger

BRUSSELS — Bobby Sands, Francis Hughes, and Jueri Kukk. Each died of fasting, each a martyr to his cause.

Mr. Sands and Mr. Hughes are well-known. They were gunmen of the Provisional Irish Republican Army and they died within the last few weeks protesting their treatment in a Belfast prison.

But Jueri Kukk? He never carried a gun or caused any physical harm to anyone. He was a chemist and a teacher — and an Estonian nationalist. He suffered and died in a Soviet prison camp for political dissidents, and his death attracted virtually no attention in the West.

At issue in the Belfast deaths was the question of whether the IRA gunmen were political or common prisoners. They had been tried and sentenced not for political acts but for violating the criminal statutes.

Mr. Kukk's crime was truly political. Last January, Mr. Kukk, along with Mart Nikius, a well-known nationalist, was tried and convicted in Tallinn, the beautiful seaport capital of Soviet Estonia. The charge: involvement in "anti-Soviet agitation and propaganda."

Mr. Kukk was sent to a camp in north-central Russia. He had started a hunger strike before his trial began. On March 27, four months after beginning his fast, he died.

The hunger strike is a traditional weapon of prisoners in the Soviet Union. Vladimir Bukovsky, a well-known Soviet dissident now in the West, recorded in his memoirs that fasting could bring at least modest results for the prisoner willing to attempt it.

Soviet prison regulations require authorities to prevent hunger strikes from succeeding. Many former prisoners report that they were moved quickly to prison hospitals and subjected to force-feeding before their fasts went on very long.

Mr. Kukk, too, was force-fed, and some of his friends believe that overzealous treatment may have caused his death, which is thought to be the first in such circumstances in many years. Officially, his death was attributed to "aberrant behavior." Then he was returned to Tallinn for trial.

In October, young Estonians demonstrated for days against deteriorating living conditions in what had been the most pros-

perous Soviet republic, against increased "Russification" of their country and excessive industrialization of the Tallinn region.

Forty leading intellectuals supported the youngsters with a letter to the authorities. They were brought in for questioning by the KGB. On Feb. 24, Estonian National Day, young people took to the streets again despite the presence of extra police and troops.

These events in Estonia, and similar incidents in other Soviet republics, are a quiet counterpart to the more conspicuous national conflicts raging in Northern Ireland, Lebanon, and other parts of the world.

But these incidents, 40 years after the Baltic republics lost their freedom, show the irrepressible power of national feeling, even under so strict a form of political control.

Is it possible that Mr. Haig is unaware of those facts? After Mr. Haig's answer about a shared belief in God, Rep. Studds said he thought Mr. Timerman would be surprised. Mr. Haig replied that Mr. Timerman was not the only expert on the subject.

Mr. Haig's remarks showed at the least an incredible insensitivity to the fact and meaning of anti-Semitism — and to the terrible danger for everyone, Jew and non-

perous Soviet republic, against increased "Russification" of their country and excessive industrialization of the Tallinn region.

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## U.S. and Argentinian Question of the South

By Anthony Lewis

NEW YORK — Secretary of State Alexander M. Haig Jr. had a closed meeting last week with the House Foreign Affairs Committee, a general discussion of policy. In the course of it there was an extraordinary, revealing exchange.

Mr. Haig was explaining the Reagan administration's plan to resume arms aid to the rightist military government of Argentina. The United States, he said, had shared values with Argentina: a belief in God" — with a reader which violent anti-

when, it appears in a form in a supposedly country.

There is a question here the American Jewish community is going to sit quietly by high official of its government the country shares values — in God" — with a reader which violent anti-

has been practiced?

In Argentina many Jewish leaders thought it to protest too loudly, not the boat. That troubled Mr. Haig more than anything. When he was visited by a Jew of Israel, he writes, "I had not been humiliated, by electric shock genitalia, but had been pummeled by the silent community of Jewish leaders."

**Guatemala, Ti**

The undersecretary of security assistance, John Buckley, urged the Affairs Committee success to demand some Argentines share toward decency before arms aid. He assured the members that the Argentine government was not involved in any acts, the American Jewish community going to accept such insults in cor-

rence, in silence?

But of course it is not just a question. Over the years thousands of Argentines have disappeared. They were kidnapped by armed militia. Sometimes their bodies hacked to pieces or burned they were simply n

again. And no one with knowledge of the situation that official military units

Not is it by any means limited to Argentina. The Reagan administration is considering the resumption sales to the government, which in some ways Argentina's look modern, to international esteem murder squads under dictatorial government carried out more than 3,000 in the last 10 months.

The question is one of soul. Are things as such that Americans must enter and murderers as a proclaim their values, than America's own? Can a conceivably believe that these people will strengthen influence in this hemisphere must the United States is its most important Latin America and Venezuela must Americans appear what kind of country United States?

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## U.S. Insurance Companies Aiming at World Market

**NEW YORK** — A surge in foreign investment in the United States and the push by U.S. insurance brokers to expand internationally are opening a new area of growth for some brokerage firms.

U.S. insurance brokers have been gradually expanding their foreign networks since the end of World War II. But the move to merge with the major London brokers, thus aligning the two dominating markets in the field and forming what is commonly known as the "megabroker," is a recent trend.

In 1978, the U.S. company Frank Hall acquired Britain's Leslie B. Godwin. But perhaps the most dramatic acquisition took place last year when the largest U.S. brokerage firm, Marsh & McLennan, took over C.T. Bowring & Co., a diversified financial services company and Britain's largest insurance broker. After paying \$569 million in cash and stocks for the company, M & M became the first U.S. company to gain access to the world's only major insurance underwriting exchange, Lloyd's of London.

### Worldwide Offices

This takeover followed a decade of purchases of smaller foreign brokers and foreign equity investments by M & M, and highlights the company's basic goals: to get more foreign corporate clients, to improve its ability to serve U.S. multinationals through its subsidiaries abroad and to be closer to its foreign underwriters.

M & M has 521 offices — 186 in

Britain, 167 in the United States and the rest mostly in the developed world — according to the company's senior vice president and area manager for Europe, Harold Talbot.

Although the Bowring takeover presented some problems for M & M, some key employees quit after the acquisition, the company's revenues have increased substantially. Operating revenues rose 28 percent, from \$350.6 million in 1979 to \$677.3 million in 1980, and income rose 22 percent, from \$82.2 million in 1979 to \$100.7 million in 1980.

### Production Sources

"There has been an immense increase in worldwide insurance revenues in the past 10 years, basically because of the company's foreign acquisitions policy," Mr. Talbot said. M & M's foreign operating revenues rose from \$39.8 million in 1975 to \$65.2 million in 1979 and \$153.5 million last year.

A result of this growth outside the United States is that the company's associated firms are also broadening what they can offer multinational clients. Mr. Talbot said:

Edgar Clark, a vice president in the international division of the U.S. broker Alexander & Alexander, made the same point: "In the past, we relied on our foreign friends more as service operations. Now they are sources of production."

Alexander & Alexander, the second-largest U.S. insurance brokerage firm, has also been expanding

its worldwide operations. It operates in 44 countries through wholly owned offices, joint ventures and correspondent relationships.

In 1979, it acquired 106 new international clients, and last September it was chosen to manage insurance coverage for the \$10-billion new Jidda International Airport in Saudi Arabia. But perhaps the company's most important development was its decision last December to merge with the internationally known London broker, the Sedgewick Group Ltd.

Although the merger is planned for next year, it will probably take five or six years before it is operational. Mr. Clark said: "The merger, he said, will eliminate the competition between the two firms, create new business and bring to each company the other's specialized knowledge." — Sedgewick's in wholesale insurance broking and re-insurance, A & A's in technological techniques such as computer systems and self-insurance claim operations.

### American Approach

According to Mr. Clark, American insurance brokers are superior to non-American ones in non-insurance related services, self-insurance, contractual transfers and their approach to risk management.

The average non-American approach to risk is buying more insurance.

Our approach is that, if a company is sure to have a loss, it should be quantified and controlled. American brokers are also less interested in boosting the American insurance market

abroad than exporting American insurance techniques to foreign countries." He said that this probably explained why developing countries in the Middle East, for example, "are more open to American brokers than British ones, who until recently have not necessarily been geared to their needs."

The merger between A & A and Sedgewick, he said, will also "give us the opportunity to spread risk further internationally because of the greater participation of the insurance companies we both deal with, and it will affect our ability to serve foreign business in the U.S."

"Reverse flow business [foreign companies investing in the United States that need insurance policies] has been growing by leaps and bounds, particularly with the increase in foreign takeovers of U.S. companies in the past few years," said Rudy Portera, vice president of the international department of Johnson & Higgins, the third-largest U.S. insurance brokerage firm.

The growth really began with the oil crisis in 1973, Mr. Portera said. He estimated that there was a sevenfold to tenfold increase in the number of foreign clients his company had in the United States during that period.

### No Letup

Mr. Clark of A & A said, "We've been doubling our number of foreign clients in the past two years and see no letup. Foreign business in the U.S. is the most rapid area of growth in our U.S. business today."

Foreign business accounts for about 5 percent of A & A's total business, and foreign business in the United States has grown from about \$1 million in commissions two to three years ago to about \$6 million today, he said.

The U.S. companies have had to adapt to their new dealing because insurance methods can vary widely from country to country. In Europe, Mr. Talbot of M & M explained, "workers' compensation is usually covered by some aspect in the national social security system; here it is insured privately. Non-auto auto insurance is common in the U.S., not in Europe. Loss prevention is more pervasive here, with vast differences in premiums. And our whole approach to product liability and liability of any kind is very different."

### Less Coverage

He noted that many U.S. lawyers take liability cases on a contingency fee basis, taking a percentage of whatever a court awards the injured party, but nothing if the court decides against the party. "In Europe you must pay the lawyer whether you win the case or not. So you are taking a greater risk by going to court," he said.

According to Mr. Clark of A & A, European companies tend to take less coverage in certain areas than U.S. companies. "It takes them a few years — until they are hit with a loss — before they take full coverage," he said, noting that Japanese as well as Middle Eastern clients have generally been more open to U.S. insurance practices.

To deal with the influx of foreign business in the United States, U.S. insurance brokers and large international insurance companies are improving their international services. At Johnson & Higgins, Mr. Portera said, "we have people in each of our offices trained to deal with foreign business and we are developing a new department to deal with reverse flow business. This business is now passing through our international department in New York, where we have special teams devoted just to it."

A private insurance company, American International Group, has created a department to take care of multinational insurance needs on a package basis. The vice president for global accounts, Arthur Phillips, explained: "Before, a large international company would often see four or five insurance companies in the U.S. and abroad to take care of insurance needs. Now the company can see us for all of them and it will be less expensive with fewer gaps in coverage."

William Crowley, a vice president of AFIA Worldwide Insurance, another U.S. insurance company, said: "By concentrating your buying power with one company, losses in one country won't wipe up losses in another. Premiums as much as with two separate programs from two different companies. There is a new global concept in insurance coverage which international insurance brokers and companies are best equipped to handle."

— LINDA BERNIER

## Accounting Practices Undergoing Changes

(Continued from Page 75)

ed Kingdom and the Netherlands are responding to the financial reporting challenge posed by a high level of inflation but limited. In the United States, this consisted of an expansion by large companies, the result of which will be the basis for establishing some sort of inflation accounting requirement for all companies.

Ernst & Whitney survey currently required disclosure of annual shareholders' reports of the impact of inflation on historical cost results.

These are many other differences in accounting principles and disclosures between Europe and the United States. The last-in-first-out method of accounting for inventories used in the United States, which is generally not acceptable in Europe, is dated financial statements, currency translation practices, deferred taxation. While these differences complicate the investment process, their effect generally is quantified by one familiar with both European and U.S. accounting principles and their impact assessed considering an investment in United States.

In conclusion, while it is important to be aware of differences in accounting and auditing practices that exist between the United States and Europe, it is equally important to recognize that the quality of financial information is dependent on a company's management and its financials, not on the country. If the company tends to be conservative in financial policies and practices in the United States are such, however, that most organizations of any size do have annual audits. For example, even small businesses may be asked to provide audited financial statement to banks and other creditors.

With the exception of the United States, the effect of these differences on the company's financial activities.

Except for those companies whose stock is listed on a stock exchange and those companies whose stock is sold over the counter and that have more than 500 shareholders and assets of more than \$1 million, most companies are not required to have annual audits. This contrasts with the more extensive statutory audit requirements in most European countries, which presently result in many private companies being audited and which will be expanded significantly under the Fourth Directive. Various government regulations and private business practices in the United States are such, however, that most organizations of any size do have annual audits. For example, even small businesses may be asked to provide audited financial statement to banks and other creditors.

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## Treasury Bills, Gold, Currencies.

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highly liquid gold, Swiss Franc, Deutsche Mark, British Pound, Canadian Dollar, Japanese Yen and Mexican Peso futures markets are tightly linked to the gold bullion and interbank foreign exchange markets. Liquidity enables banks, financial institutions, corporations, bullion dealers, and other major participants to place large orders without distorting the market price — an essential requisite for the large-scale hedging, arbitraging and other trading and investment objectives offered by the IMM's financial futures markets.

The IMM is the financial futures division of the Chicago Mercantile Exchange, established for the purpose of providing all necessary facilities and safeguards for the exchange of contracts. In the all-important function of protecting customer investments, the IMM has a clearing system — unique to the futures industry — under which all

accounts are kept current on a daily basis. Perhaps most important of all, the Clearing House becomes the opposite party to every transaction: the seller for every buyer, the buyer for every seller. As a result, the IMM itself becomes the credit risk for futures transactions, assuring the integrity of each financial futures contract.

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If fluctuations in interest rates, currencies, and gold affect your business, you owe it to yourself to investigate the opportunities available on the IMM.

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## Accounting Undergoes Change

Continued from Page 78  
as necessary to support information shown in the contracts with the commercial requirements for a chart of accounts and specific financial statements. The Act of 1978, which provides for companies abroad to submit public companies to a system of internal control by the law requires all public companies to submit annual financial statements to the government. These statements are audited and recorded, and to keep records.

implications of the process, but its impact can generally be assessed.

details, however, that may affect the company's financials. For example, a stock is listed on a stock exchange, and the company's stock is held over the counter, and there are 50 million shares of stock. This is a good investment.

Another reason for foreign interest is the potential market for wine in the United States. Annual U.S. wine consumption, which has grown by between 7 percent and 8 percent in the last 10 years, is about 115,000 cases. In 1983, it is expected to sell about 250,000 cases.

With Champagne production running at capacity in France and worldwide demand increasing, Moet-Hennessy embarked on a policy in the 1960s of exporting its Champagne-making technology as well as its Champagne. The company opened its first foreign plant in Argentina. Others followed in West Germany, Austria and Brazil.

The sparkling wines are produced for local consumption and do not compete with its French Champagne.

According to a spokesman for the Wine Institute, the investment return is off quite a bit higher in

California than it is in France. While it costs about \$6,000 a ton for top quality Champagne grapes in France, top quality Chardonnay grapes for making sparkling wine in California cost about \$1,000 a ton.

Champagne

French Champagne interests have made the largest investments in California wine production, with Moet-Hennessy leading. So far, it has invested about \$25 million in Domaine Chandon, which it founded in 1973 on 900 acres in the Napa Valley. The company's success encouraged the 200-year-old French

market — probably because the California sparkling wines (about \$12 a bottle) have stimulated interest in the more expensive French Champagne.

Moet-Hennessy's success encouraged the 200-year-old French

Champagne producer Piper-Heidsieck to embark on an \$8-million project with Renfield Importers Ltd. of New York to build a major sparkling wine facility at Sonoma Vineyards in Windsor, Calif.

Ground-Breaking

The ground-breaking for the winery took place on March 16 and construction is to be completed at the end of the year. About 35,000 cases of three varieties of the new "Piper-Sonoma" now being produced at the vineyard's existing facilities will be available at the end of 1982. By 1985, the company expects more than 100,000 cases to be available. The wines, priced at \$12 to \$13 a bottle, are being made according to the *method de champenois* with Piper-Heidsieck equipment and expertise.

Wine-making expertise is not exclusive to the French, however.

"The French and many other foreigners have been coming over in droves for the past 20 years to learn new wine-making technology at the University of California at Davis," Mr. Gomberg said. While the French have taught Californians their age-old methods of making fine wines, Americans have taught them such techniques as us-

ing stainless steel for fermentation, and centrifugation for filtering wine.

Baron Philippe de Rothschild, who produces Chateau Mouton-Rothschild in Bordeaux, was so impressed by California wine and wine-making that he met with California wine-maker Robert Mondavi in 1975 to discuss a joint venture. The first wines of two vintages — 1979 and 1980 — of a premium Napa Valley Cabernet Sauvignon will be released by Baron Rothschild and Mr. Mondavi in early 1984, probably at between \$50 and \$100 a bottle. Plans are being made to buy more California land for premium wine.

While an increasing number of California wines are making their way abroad, the French have nothing to fear in terms of competition, according to an American importer of French wines. U.S. wine ex-

ports (more than 90 percent from California) have jumped from 5.2 million gallons sold in 1979 to 7.9 million gallons in 1980. But imports also climbed — from 92.2 million gallons to 102.5 million gallons.

California's biggest foreign customer is Britain, which bought 270,000 gallons last year. The French bought only 38,000 gallons — tripling their purchases, however, from the previous year.

The increasing interest of the French is believed to be due more to the attraction of a novelty than to a shift away from French wines.

As a California wine enthusiast put it: "The French make the best French wines and the Californians make the best California wines. We'll each probably always drink more of our wine."

— LINDA BERNIER

## 'Smokestack Chasers' Become Sophisticated

(Continued from Page 78)

establish a base to approach the federal government on issues of mutual interest.

States have made mistakes in their eagerness to attract investment, Mr. Friedman said. "Some have given away too much for what they get and some provide facilities that the private sector really doesn't want. Look at all the empty industrial parks around the country."

Technically, the federal government is supposed to remain neutral about economic development in the United States, he said. But former President Jimmy Carter, for example, encouraged investment in distressed areas and cities through such incentives as federal grants, loans and loan guarantees. "It is still too soon to tell what the attitude of the Reagan administration will be, but the Reagan administration has been talking about decentralization in federal policy. So the role of the states and the relationship between the states and local governments could become increasingly important."

## Florida to Open Insurance Unit

Washington Post Service

Miami — An insurance exchange of the Americas, styled after the high-risk ventures of Lloyd's of London is scheduled to open next year in Miami.

The exchange is aimed at capturing some of Lloyd's \$12 billion in annual business, particularly in Latin America, where oil wells and skyscrapers will be among the costly insurance risks associated with future industrialization and modernization.

Miami financial leaders view the exchange as a step in changing the economic character of south Florida.

Like a stock exchange for insurance syndicates, an insurance exchange permits members to pool their resources to provide policies they could not afford to underwrite individually, such as for an oil tanker carrying \$200 million in cargo.

## Wine

The industry in California is becoming an increasing target for foreign investors, as the quality of the product increases. They come from Japan, Indonesia, Thailand, Canada, West Germany, Italy, Spain, and particularly France.

SAN FRANCISCO — California has been known on the world market since the 1970s, but until the last few years they began to win a number of important contests, they were market orphans, good in import in bulk to the market.

The French wine companies traveling to California with suitcases stuffed with premium California wine, is considered one of the best in California. To

Mr. Gomberg, who has been a wine industry consultant for 46 years.

Increasing quality of

lines, the limited possi-

expanding output in

market potential for

import into the United

the relative stability of

economy, more and more

investing in Califor-

nia and wineries.

The main reason for the surge in foreign investment, Mr. Gomberg said, "is the profound change in the world's wine-consuming attitude toward California wines. They used to be considered splen-

did kitchen wines never to be

brought to the table. But Califor-

nia wines have been repeated-

ly winning honors in blind tastings,

which shocked some. French wine pro-

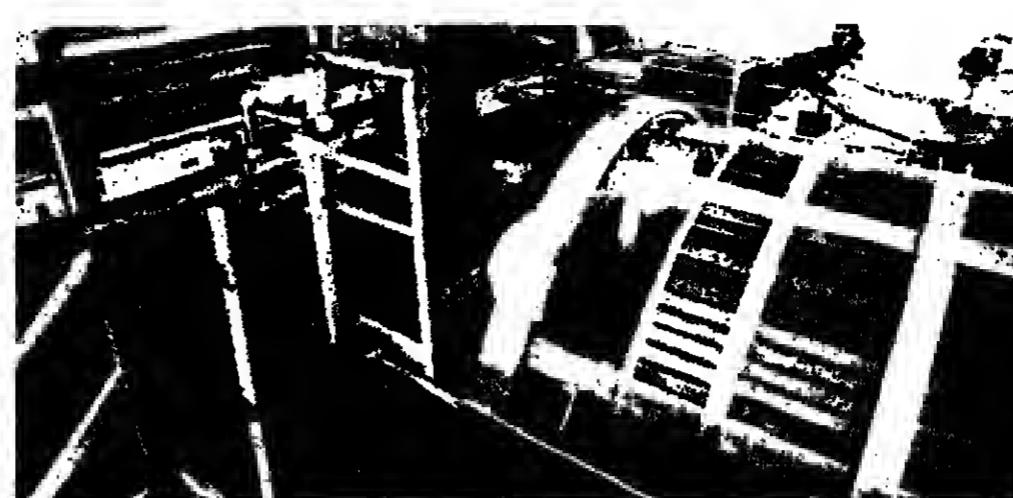
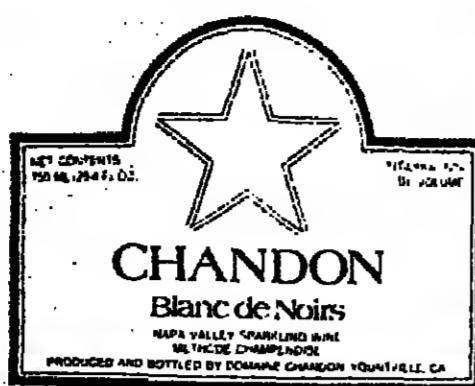
ducers into a new respect for Califor-

nia wines.

According to a spokesman for

the Wine Institute, the investment

return is off quite a bit higher in

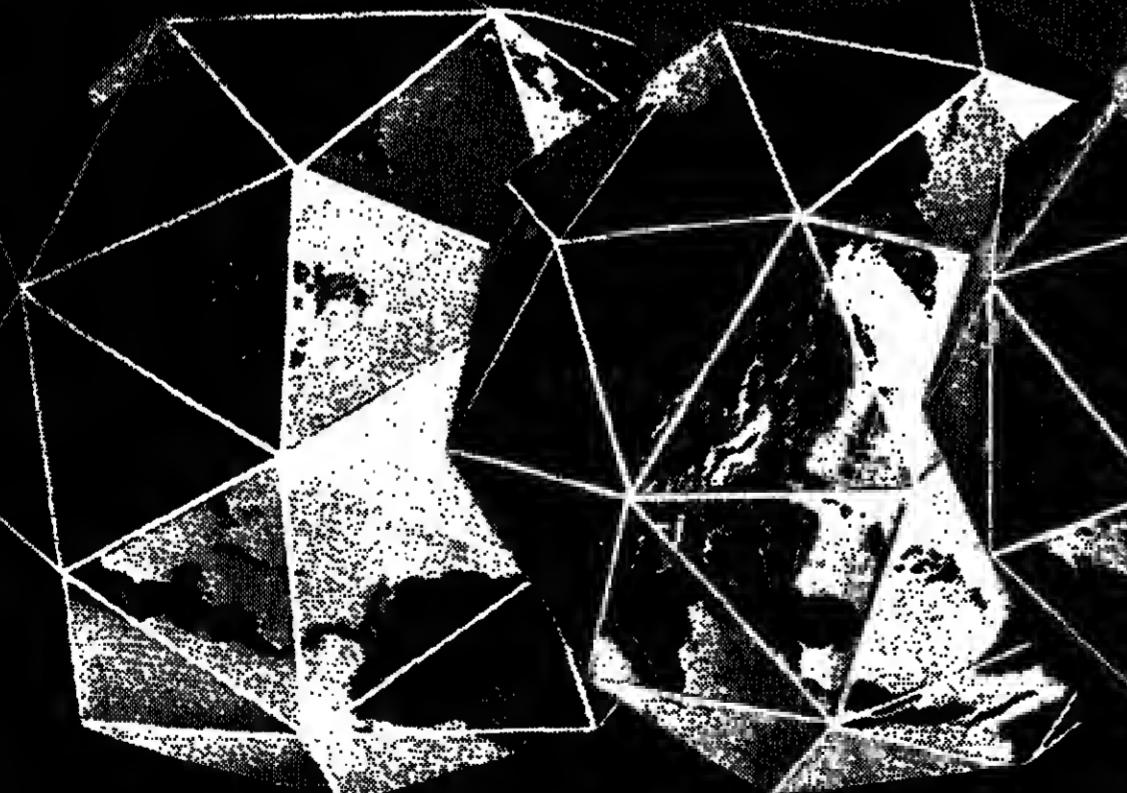


Top left: Labels of sparkling wines from Domaine Chandon. Above: Eight-ton-capacity press imported from France for Piper-Heidsieck/Sonoma.



Michel LaCroix (left), cellar master of Piper-Heidsieck of France, met Sonoma wine master Rodney D. Strong during a visit to Sonoma Vineyards in Windsor, Calif.

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## Foreign Banks Make Inroads in U.S.

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NEW YORK — A negligible factor in the U.S. banking community in 1970, overseas banks have widened their influence during the last decade to the point where almost one-quarter of the loans located in the United

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States in 1980 were made by the U.S. offices of foreign banks.

During the 1970s, 200 U.S. offices were opened by foreign banks. By midyear 1980, 14 foreign banks had \$1 billion of loans or more on the books of their U.S. offices. Of total bank loans of

\$154.7 billion, U.S. offices of foreign banks had \$38 billion. In addition, the foreign banks had registered \$35 billion in deposits.

The International Banking Act of 1978 brought foreign banks into closer conformity with the requirements placed on U.S. banks. Previously, foreign banks had been able to open offices in any state, unlike U.S. banks, which are basically limited to one-state operations. Under the 1978 act, however, foreign banks that already had set up offices in several states were allowed to keep those.

Such advantages tend to rankle U.S. bankers a bit, giving them ammunition in the fight to end the one-state banking rules. "What American-origin banks are looking for," said James Murphy, executive vice president of the New York State Bankers Association, "is a level playing field. The advantages of the foreign banks, as well as the growth of money market funds, which don't have any banking-law constraints at all, have underlined the necessity to consider interstate banking."

An examination of the list of leading foreign banks in the United States and the nature of their loans, however, indicated that the foreign banks may have less influence on mainstream business than figures suggest.

### Japanese Banks

The leading bank in terms of loans is the Bank of Tokyo, which is not a newcomer — it has been operating in the United States for more than 100 years. Its U.S. offices have a loan portfolio of \$1.98 million. Second place overall is occupied by another Japanese institution, Fuji Bank Ltd., with a loan business of \$1.7 million.

A recent analysis of the loan portfolios of Japanese banks in the United States by American Banker, the industry newspaper, shows that 50 percent of their money is loaned to companies domiciled outside the United States. It is going largely to Latin American companies, including some to Latin subsidiaries of U.S. multinationals. It can be assumed that a large part of these loans is going to the two Latin American boom countries, Mexico and Brazil, where the Japanese have a strong business presence.

Most of the rest of the loan portfolios of Japanese banks go to Japanese companies trading in the United States. These often follow

relationships of long standing between bank and company in Japan.

The largest European bank in the United States is Swiss Bank Corp., with a loan portfolio of \$1.4 billion largely concentrated on loans to U.S. companies. Swiss Bank Corp. has a large staff in the United States — 900 employees — but half of them deal with the buying and selling of foreign exchange.

To obtain funds for its loan operations, Swiss Bank Corp. has begun issuing its own commercial paper — obligations that the bank promises to repay — thereby saving money on the more traditional method of obtaining funds, the marketing of certificates of deposit to depositors. Swiss Bank also made one of the major loans of the last year: a \$400-million credit last year to Ameri Inc.

While the Japanese banks tend to rely on home contacts for their business, European banks use the aggressive loan marketing typical of U.S. banks. They have "calling officers," whose job is to drum up loan business. Swiss Bank has 40 calling officers and the French Credit Lyonnais has 50 in the United States.

With the decade-long influx of foreign banks and the resultant increase in competition for loan business, there has undoubtedly been a profit squeeze on foreign banks attempting to get a foothold in the U.S. market. The competition has made New York — where most foreign banks set up — a buyer's market for loans. This is especially true for the most creditworthy companies, which also have the option of issuing bonds or commercial paper.

The profit squeeze has affected U.S. banks, which have sought other ways to make money. During the last decade, there has been an increase in the kind of fixed-fee services that banks are offering to customers: advice on issuance of commercial paper, arranging of mergers, portfolio management, securities trading and merchant banking.

"It's part of becoming a value-added institution," said David O. Beim, executive vice president and head of the corporate finance department of Bankers Trust, one of the leaders in such internal diversification. "If a bank offers money and nothing else, it will get average returns. If it can add value, it will get much better returns."

## Outlays Cut Back in Some Energy Areas

WASHINGTON — Although this year might not be as spectacular as 1980 for the oil industry, everything from U.S. administration policy to industry activity indicates that 1981 will be a good year indeed.

Other energy sectors — coal, gas, nuclear power, synthetic fuels and solar power — are expected to grow, but not nearly as much as these sectors planned several years ago, when enthusiasm for alternative energy sources was at a peak.

Government regulatory constraints and high investment costs have slowed much of the development of alternative energy sources. While the Reagan administration has vowed to remove many of these constraints — by decontrolling oil and gas prices, relaxing environmental safeguards and accelerating the leasing of federal lands — this should prove most beneficial to the oil, gas, nuclear and coal industries.

"This administration is backing off from synthetic fuels, solar and other renewable sources, making them considerably less attractive," a Department of Energy spokesman said, noting that the administration preferred to back new energy investments with tax credits rather than through direct funding. Since banks are reluctant to invest in first-time projects, this policy does not augur well for companies involved in alternative energy development, except, of course, for the big oil companies.

### U.S. Cutbacks

The government, which budgeted about \$4.7 billion last year for energy research and development, is planning to cut back to about \$4 billion. The Energy Department budget for 1982 proposes research and development cutbacks from the 1981 budget in most fields — from \$625 million to \$341 million in solar and other renewable energy sources, from \$736 million to \$381 million in coal, from \$58 million to \$44 million in petroleum and from \$28 million to \$11 million in gas.

Requests are up, however, in magnetic fusion — from \$383 million to \$460 million, and in nuclear fission — from \$1.16 billion to \$1.24 billion.

A Department of Energy official estimated total energy investment in the U.S. at \$100 billion to \$125 billion a year. A good portion of this investment comes from the oil industry, which, although it benefits from depletion allowances and tax breaks, relies little on direct government financial assistance.

The oil industry increased its worldwide capital and exploration expenditures to \$46 billion in 1980, a 31-percent increase from 1979 expenditures. It plans a further increase, to more than \$56 billion this year, according to the American Petroleum Institute. About 90 percent of that investment is for petroleum and chemical operations, with

only 2 percent for other energy development and 8 percent for non-energy metals, a petroleum institute economist said, adding that about 67 percent of last year's capital and exploration expenditures went for U.S. operations.

While some experts point out that the world surplus of oil, the recession in Europe and increasing energy conservation in the United States may curb the rise in oil prices, others believe that prices will continue to rise.

### Consumption Down

Energy consumption in the United States has continued to decline — from 39 million barrels a day of oil equivalent in 1979 to 37.6 million barrels a day last year, according to Energy Department statistics. But Americans are still relying on oil as their major source of energy. Last year, they consumed 16.9 barrels a day of oil. Imports of oil have also declined — from 7.9 million barrels a day in 1979 to 6.3 million barrels a day last year, according to the department.

Coal is another energy sector that has been growing — at about 5 percent a year in the last few years — and this is expected to increase as well. The National Coal Association said. He noted that coal production had increased from 679 million tons in 1975 to 830 million tons last year, with an average production estimate for 1980 at 1.35 million tons.

Regulatory constraints have sharply curtailed investment in the nuclear industry, an Energy Department spokesman said. The Reagan administration has promised to remove constraints, and Congress is expected to pass a bill that could cut by half the 12 years it now takes to fulfill licensing requirements and approval for a nuclear facility. These factors, an Energy Department official said, "might revive the nuclear option in a couple of years."

As for synthetic fuels, a spokeswoman at the Synthetic Fuels Corp. said, "Reagan said he was behind synthetic fuels. But there's a feeling that he plans to limit government involvement and leave it to the private sector."

The administration proposed to cut \$2 billion from the \$19 billion allotted by Congress through 1984 to the Synthetic Fuels Corp. This privately run corporation was established by Congress last year to assist private development of synthetic fuels with loans and loan guarantees, purchase commitments and, in some cases, joint ventures. About 63 project proposals are awaiting approval.

Investment in coal liquefaction — turning coal into crude oil — looked like one of the most attractive of the synthetic fuel technologies, which include tar sands, coal gasification and oil shale. But high costs and the technical complexity of the process have limited

investment to a few federally funded coal liquefaction projects. In the meantime, there are more than a dozen commercial-scale coal gasification projects underway.

Among those who have not given up interest is the Fluor Corp., which is working with the Texas Eastern Corp. under a \$24.3-million Energy Department contract to design a 56,000-barrels-a-day plant in western Kentucky to produce natural gas, transportation fuels and chemicals.

The Dynasector Corp., which began a small-scale pilot project last summer working with the Ashland Oil Co. under a \$7-million Energy Department contract design a 50,000-barrels-a-day plant to be built in the mid-1980s. And the Gulf Corp. is building a \$1.4-billion plant in Morgantown, W.Va., to produce gas, liquid petroleum gas, fuel oil and naptha. This project is funded by the Energy Department and the governments of West Germany and Japan.

### Solar Energy

Solar energy is another industry that is expected to grow more development than is currently. Two years ago, the industry hoped that federal incentives would increase sales from \$150 million to \$800 million by 1980. Now, after sales reached an estimated \$250 million last year, the solar industry is curtailting expectations to \$700 million in sales by 1985.

While the government attributes the slow growth to the solar industry's failure to develop reasonably priced products that meet consumer needs, the industry blames government for failing to come up with enough help.

Because alternative energy sources are not profitable, few foreign companies are investing in these areas in the United States according to an official at the International Trade Administration of the Department of Commerce.

Except for restrictions in the nuclear area, including the prohibition against exporting uranium, foreigners are welcome to invest in U.S. energy industries and are eligible for some assistance as U.S. firms.

Most foreign energy investment is in the petroleum industry — \$9.9 billion worth in 1979, an increase from \$7.8 billion in 1978. About 64.6 percent of this is from the Netherlands (primarily Shell Oil), 16.7 percent from the rest of Europe, 9.5 percent from Canada and 7.5 percent from Latin America, according to the Energy Department.

Foreign companies have invested in other energy fields as well. West German groups have bought coal land in Kentucky for oil shale and gasification, and are prospecting for uranium in Vermont. The French are prospecting for uranium in Georgia and producing solar energy in California.

— LINDA BERNIL



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## Figuring Out Worth of T-Bills Requires Higher Mathematics

By Michael Quint  
New York Times Service

**NEW YORK** — Investors, lured by high interest rates, have been going in droves into Treasury bills. The bills pay far more than a savings account, and the nearness of maturity — three months to a year — protects the investor against loss of principal. No matter how high interest rates go, and how much Treasury bill prices might then decline, the U.S. government guarantees that at the bill's maturity the investor will be paid the full face value of the bill.

As comforting as all that may seem, not everyone wants to hold a bill to maturity, nor does everyone get in on the ground floor of a bill sale. When faced with a need for cash, an investor may want to sell. When suddenly blessed with cash, an investor may want to lock quickly onto an issue that is already on the market. But how does one find out the value of one's holdings or the price of an outstanding bill?

The answer is not easy.

Unlike the stock market, where the results of each day's trading are widely published, there is no exchange for the trading of Treasury bills. Once these bills have come out, the only market is over the counter, where a few dozen dealers connected by telephone buy and sell Treasury bills and other government securities. Among dealers, the price is a matter of bargaining between the buyer and the seller.

The individual does not deal di-

### And Seller Pays An Exit Charge

rectly with those traders, but the price he pays or sells at is closely linked to the over-the-counter market. Typically, the individual gives instructions to a salesman or registered representative who then confers with the government securities department to tell the investor the going rate.

At weekly auctions of three- and six-month bills, and at the monthly auction of one-year bills, the price an individual pays is set at the average of the competitive bids submitted by securities firms.

When the Treasury is selling \$4 billion of six-month bills, for example, it first sets aside an amount of bills equal to the "noncompetitive" tenders — which include the vast majority of individual buyers — that it received.

#### Discount Rate

Then it awards the remaining bills to the competitive bids, starting with the highest prices offered and working its way down until it gets the full \$4 billion, including the portion set aside. The rate for the noncompetitive tenders is the average of the competitive bids accepted by the Treasury.

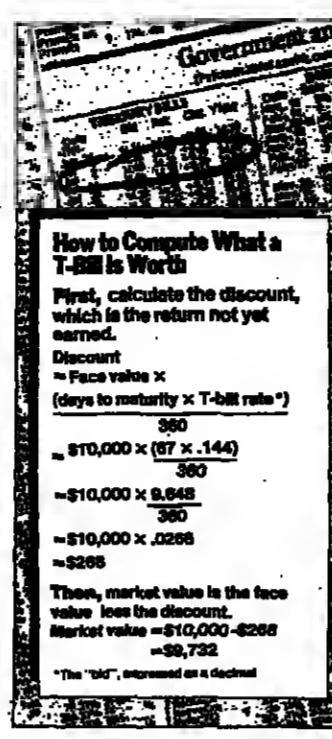
After buying a Treasury bill, the investor can follow the discount rate for the issue in many U.S. newspapers, which publish daily a bid and asked price expressed as a

percentage interest rate. The bid price is the first number printed, and the asked, or offered, price is the second. For example, bills due July 9 carried a bid of 14.40 recently and an asked of 14.32, meaning that someone was willing to buy that bill at a discount rate of 14.40 percent and someone was willing to sell at a rate of 14.32 percent.

But the discount rates do not tell the investor the dollar value of his Treasury bill. To compute the dollar price, the investor must use the discount rate and the maturity of the bill to figure the dollar value of the discount. The value of his bill is then equal to the face value less the discount.

To figure the dollar value of the discount, the investor who wants to sell multiplies the bid discount rate published in the paper by the number of days to maturity, then divides by 360. He multiplies the result by the face amount of the bill, and the result will be the dollar value of the discount. Let us assume, for example, that on May 4 the Treasury bill due July 9 was bid at a rate of 14.4 percent. For a \$10,000 bill, the discount is \$268 and the bid indicates that someone is willing to pay a price of \$9,732 for the bill.

At least, that would be the price if the bid holds. But the bid will change depending on the latest developments in the credit markets, and at times these changes have been dramatic enough to raise or lower the discount rate a full percentage point between weekly auctions.



The New York Times

## Currency Futures: Tale of 2 Cities

*The first year of trading on the New York Futures Exchange has been a slow one, to say the least. Meanwhile, futures transactions in the 'ultimate commodity' on the International Monetary Market at the Chicago Mercantile Exchange are booming.*

lers for imported fuel, which sold for dollars. This strengthened the mark.

If, on the other hand, U.S. interest rates rebound beyond record levels of last December, which is expected by many in market analysts, once the Reagan administration's proposed deficit spending starts, then West German investors will again compete against each other for the dollars, they need to invest in the high-yielding Treasury paper and financial instruments.

As it is, West German interest rates are about half our own levels. Drexel's specialists say, "This could put the mark even greater pressure."

#### Deals Move

Conticurrency specialists noted that the U.S. Federal Reserve announced earlier this month that it would no longer intervene in the foreign exchange market except in emergencies. This means that the Fed will not be coming into the market in the afternoon to smooth out "distortions" in rates unusually erratic market. Mr. Bland emphasized.

What it does mean is that dealers will be making more use of currency futures.

For speculators, the levered currency futures contract is the

initial cash margin for a currency futures contract is \$3,000. For this investment, a speculator can buy or sell \$25,000, 125,000 Deutsche marks or Swiss francs, 12.5 million yen or \$100,000.

But these cash margins can just as quickly as they can produce profits. The minimum tick for a currency price move is \$10, while it is \$12.50 for the other contracts. And moves of 25, 50 or more ticks become common.

On the one hand, the softening of oil prices means that West Germans will need to buy fewer dollars and more marks.

On the other hand, general

Moreover, Mr. Marquit said, most Big Board members joined NYFE and spent considerable sums on staffing and communications, just as they did when the Chicago exchanges began trading financial and currency futures in the early 1970s. "These markets took several years to develop," he said.

But Greg P. McKinney, Mr. Marquit's deputy, quickly noted: "Given the nature of modern communications, the siting of an exchange is of little importance." He pointed out that the Chicago Mercantile Market had an established and highly liquid currency-futures market going full blast when NYFE opened with the very same contracts.

#### Money Capital

"For one, New York is, after all, the money capital of the world," said Richard C. Marquit, vice president of foreign exchange at Drexel Burnham Lambert Inc. "Secondly, NYFE's parent is the New York Stock Exchange, and many leading factors in the money market are members of the Big Board," he noted recently.

#### At Conticurrency, the currency trading arm of the Continental Grain Co., John M. Bland, vice president, said: "Some think that

grain may have hurt NYFE.

While New York is the money capital, the banks here have traditionally been involved in making their own markets in foreign currency.

True, the big banks don't care to

small trade hedgers and speculators as a futures market does, but

they and other institutions and

multinational corporations are

themselves becoming major participants in the currency futures market."

Jay M. Meister, also a Conticurrency vice president, said, however, that many U.S. corporations, despite heavy losses incurred in converting foreign exchange to dollars, are not convinced that they can hedge against such losses in the currency-futures market.

#### European Traders

"Many multinationals still prefer to handle currency conversions and forward dealings through their banks," Mr. Meister said. "They still think the recent volatile changes in the relations of European currencies and the dollar, for example, are temporary situations. Many European money traders apparently don't think so because a significant amount of hedging in currency futures now comes from Europe."

Speaking of the sharp drop in European currencies since January and, conversely, the rise in the dollar value, Drexel Burnham's currency futures specialists said the volatility that has marked foreign currency rates thus far this year was quickly past from over.

The Deutsche mark is a case in point, they said, because it has been unusually volatile in recent months.

On the one hand, the softening of oil prices means that West Germans will need to buy fewer dollars and more marks.

On the other hand, general

acquisitions, particularly in the United States, so these were unloaded along the way.

Company results last year reached records despite an industry-wide chemical decline and general downside in corporate profits.

Net income rose 24 percent to \$284 million from \$229 million in 1979. Ten years earlier, the figure was \$18.6 million.

The continuing difficult economic situation has not lessened company confidence. It expects to exceed 1980 results and has posted another first-quarter record of \$33 million, or 26 percent ahead of the \$65 million in the initial three months last year, on peak sales of \$6.5 billion, up 14.3 percent. They contributed importantly to corporate sales, which set a record for eleven successive years. About 60 percent of earnings are derived from domestic operations and the balance from abroad.

With about 33 plants and more than 10,000 employees in Europe alone, operations there accounted for 34 percent of Grace's worldwide sales. During the last five years, European specialty chemical sales alone have increased 17 percent annually, while volume gained 14 percent for the Pacific Inter-American divisions comprising Argentina, Australia, Brazil, Japan, Mexico, New Zealand and Venezuela. The next five years will see such business grow at a faster clip in Europe than in the United States, Mr. Grace said.

**Chemical Producer**

During the 36 years that Mr. Grace has headed the company, he transformed his grandfather's shipping-trading-banking company into a major international chemical producer. Then he added the fast-growing energy sector (oil, gas, coal, plus oil field equipment and services) and consumer operations, including specialty retailing and restaurants.

For more than \$250 million (the exact amount to be determined by future earnings) V & D will pay five annual cash installments beginning this year. The arrangement is in line with Grace's use of joint ventures in some chemical and natural resource activities, while conserving on capital costs.

This performance has captured the interest of two European companies that have invested in and become partners with Grace.

The most recent deal is an unusual arrangement, mutually beneficial. It gives the giant Dutch retailer, Vroom & Dreesman B.V., a share of the Grace specialty retail business, with sales of approximately \$1 billion last year.

**Half Interest**

In February, the Amsterdam-based company agreed in principle to acquire a half interest in about 400 units. They include Herman's World of Sporting Goods; the do-it-yourself home improvement centers of Channel, Handy Dan, Handy City, Cashway, Orchard Supply, the J.B. Robinson Jewelers, Sheplers Western Apparel and Berman, the Leather Experts.

For more than \$250 million (the exact amount to be determined by future earnings) V & D will pay five annual cash installments beginning this year. The arrangement is in line with Grace's use of joint ventures in some chemical and natural resource activities, while conserving on capital costs.

(Confirmed on Page 135)

**Coal Production**

Coal production is another joint endeavor. Coal mines in Grace has a 47.5 percent to 100 percent interest throughout the United States, doubled product to 4.1 million tons.

mines, multiplying through sales, hold more than 300 million tons of reserves. They are expected to contribute \$25 million to Grace earnings by according to Mr. Grace.

Coal exports should reach 10 million tons by 1983, again 10 million tons in 1980. With German reserves diminishing, and other foreign energy converting to coal realize it, United States has the world's largest reserves.

The aggressive pursuit of natural resources business has been dictated by the fast problems in many parts of the world. The opportunities for growth and profits, phased by Mr. Grace, are based by the 52 percent rise in earnings last year.

(Confirmed on Page 135)

**King Fifth Wheel Company**

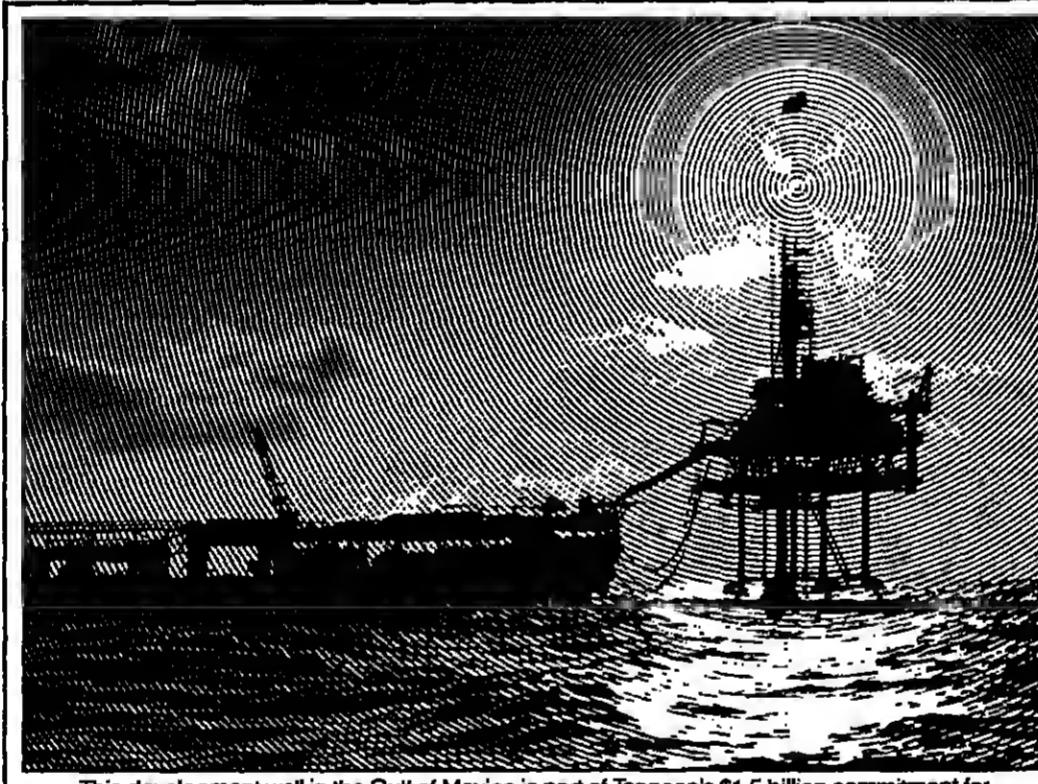
has been acquired by

## Tube Investments Limited

*The undersigned acted as financial advisor to King Fifth Wheel Company in this transaction.*

**WM SWORD & CO.  
INCORPORATED**

May 18, 1981



This development well in the Gulf of Mexico is part of Tenneco's \$1.5 billion commitment for energy projects this year.

### Financial Highlights

(Millions Except Per Share Amounts)

	1981	1980	Percent Change
Operating revenues	\$3,809	\$3,316	+15
Net income	\$ 194	\$ 178	+ 9
Earnings per share of common stock—			
Fully diluted	\$ 1.51	\$ 1.61	- 6
Dividends per share of common stock	\$ .65	\$ .60	+ 8
Average number of shares outstanding	118	105	+12
Capital expenditures	\$ 373	\$ 306	+22

### Investor Information

Common stock: Traded on major U.S. and international exchanges

Price at 3/31/81: \$47 1/2

Price/earnings ratio: 8.0x

Composite daily volume:

First quarter—102,266

Latest twelve months—

127,750 shares

High/low price range:

First quarter—\$51 1/2 high; \$44 1/2 low

Latest twelve months—\$58 1/2 high;

\$31 1/2 low

Dividends:

Current annual rate—\$2.60 per share

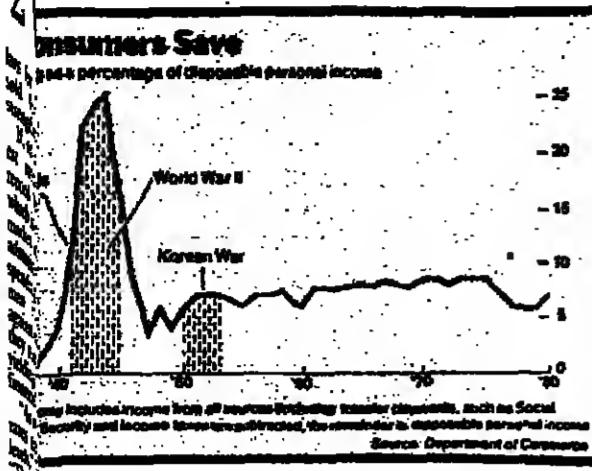
Current yield (3/31/81)—5.5%

**Tenneco**

TENNECO COMPANIES IN EUROPE INCLUDE:  
ALBRIGHT & WILSON DAVID BROWN TRACTORS JICASE COMPANY GEIR BROERE B.V. POCLAIN SA (40% OWNED) TENNECO EUROPE  
TENNECO CHEMICALS EUROPE TENNECO OIL COMPANY WALKER MANUFACTURING-EUROPE MONROE AUTO EQUIPMENT-BELGIUM

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Tale of  
the New York  
a slow one, to say  
es transactions in  
to the International  
Chicago Mercantile



## Grace: An Old Hand going Business Abroad

Read from Page 12S

Mr. Meister, also a Continental vice president, said, however, that many U.S. corporations are heavy losers because of changing foreign exchange rates. He is not convinced the market against such losses.

**European Traders**

Many manufacturers still plan to handle currency conversions through their agents, Mr. Meister said. They think the recent volatile rates in the relations of Europe and the dollar are temporary situations. European market traders apparently don't think so because many futures rate events from

the start of the sharp drop in oil currencies since January 1973 and are now \$1.8 billion in 1983.

Chemicals, Grace's big

maker in 1980, had

reduced 10.4 million

equivalents in 1980, 50 percent of which was nat

ural gas from these sources

last year from \$1.2 billion in 1979. Another strong year is expected in 1981, company officials said.

Excess cash generated by this business is being used in part to finance an expansion of Grace's phosphate fertilizer capacity. The plan calls for a 5-million-ton-a-year joint venture in phosphate rock with the International Minerals & Chemical Corp., a phosphoric acid plant jointly owned with the U.S. Steel Corp. and a Grace-owned diammonium phosphate plant.

Despite uncertainties about weather conditions, Mr. Grace

said that he expected fertilizer

shipments to increase to more than 6 million product tons this year.

An indication of the company's prospects for agricultural chemi

cals this year is the \$70 million of capital expenditures budgeted, against the \$27 million spent in

the last 15 years.

**120 Plants**

Grace's specialty chemical

ts are made in 120

countries and more added. They serve the

construction, automotive, oil and gas, general

chemical intermediates, food and pharmaceuticals, and other products

to more than 100 countries.

During 1980, the products division

had a 10 percent increase in

sales from \$1.2 billion to

\$1.3 billion. In the first quarter of 1981, sales increased

another 10 percent to \$1.4 billion.

Mr. Meister said that Grace

is continuing to expand its

international business and

is looking for opportunities

to increase its market share

in Europe and elsewhere.

Grace's construction and

mining division, which

had a 10 percent increase

in 1980, is continuing to

expand its market share

in the United States and

elsewhere.

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## Top of the Pan Am Building— New York's most dramatic view.



This is the view looking north from the top two floors of the Pan Am building in midtown Manhattan. The two floors, the 57th and 58th, with approximately 15,000 sq. ft., are available for immediate occupancy.

For complete details, please call: Thomas Sheehan, President, Metropolitan Realty Management, Inc., at (212) 986-2100.

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The high return of 11.13% tax free also results from Nuveen's professional experience. The Nuveen organization has specialized in municipal bonds since 1898. Nuveen is one of the largest underwriters of municipal bonds and is the largest sole sponsor of tax-exempt bond funds with over \$5 billion outstanding.

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name		
address		
home telephone	business telephone	
I would anticipate an initial investment of \$_____		

\*This return represents the net annual interest income, after annual expenses, divided by the public offering price as of 5/12/81. On 5/8/81 when Series 178 was first offered, the figure was 11.10%. It varies with changes in either amount and also with the particular payment option and amount invested. This figure is based on semi-annual payments. Interest income may be subject to state and local taxes.

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## Wide Range of Investments Lures Foreigners

NEW YORK — The dollar might be strong again, but that is not discouraging foreign investors from putting their money into U.S. equities, real estate, manufacturing enterprises, wholesale and retail trade, insurance and petroleum companies.

Although it was a weakened dollar that initially encouraged foreign investment, investors seek other things in the United States as well: economic and political stability, a vital market, official encouragement of foreign investment.

Although the U.S. government has a neutral policy toward foreign investment, it has a positive attitude, encouraging firms already committed to investing in the United States to participate in federal, state and local incentive programs. Many state governments, however, actively pursue foreign investment, with offices at home and abroad that relay information about a wide variety of government loans, grants and tax incentives.

"The U.S. is the preferred country for investment by West German business," said an official of the West German Consulate in New York, noting that 27.6 percent of West German foreign investment went to the United States in 1980, while 26 percent went to all other developed countries.

### Investment Figures

Last year, West German business invested 3.4 billion Deutsche marks (about \$1.5 billion at the current exchange rate) in the United States, bringing the cumulative West German investment since 1952—when the figures were first compiled—to 15.7 billion Deutsche marks (about \$6.8 billion). Total West German investment abroad during this period was 74.2 billion Deutsche marks

(about \$32.4 billion), according to West German statistics.

The United States is also Japan's most important overseas investment market. According to the Japanese Trade Center in New York, 23.2 percent of Japanese investment abroad goes to the United States. The next most important countries are Indonesia with 12.2 percent, Brazil with 8.6 percent and Australia with 5.5 percent of Japanese investment abroad.

After investments of more than \$1 billion in the United States last year, cumulative Japanese investment in the United States from 1951 to March 1980, reached \$7.4 billion, while cumulative investment abroad during this time was \$31.8 billion, according to Japanese statistics. The reasons for this rise, an economist at the Japanese Trade Center said, are the increasingly strong yen compared to the dollar, an attractive consumer market—the largest in the world—the political and economic stability of the United States, and U.S. encouragement of foreign investment.

David Bauer, an economist at the Conference Board, a U.S. business organization, said that before the 1970s, there was relatively little direct foreign investment in the United States. Companies preferred to export. But as wage rates abroad grew more rapidly than in the U.S. and as foreign exports to the U.S. grew—giving the U.S. a trade deficit which caused foreign companies to fear higher tariffs and quotas—direct investment increased. With the devaluation of the dollar in 1971, many foreigners found it cheaper to build or acquire companies in the U.S. They also found they could service U.S. clients better if they had plants here."

### Major Force

An official at the British Trade and Development Office in New York said: "There has been a tremendous upsurge in British investment here in the past few years. People recognize the U.S. as the major economic force in the world, and it would be foolish if they didn't come. The growing strength of the pound has also helped."

According to the U.S. Department of Commerce, the equity value of British business in the United States in 1979 (the latest year for which data is available) was \$9.4 billion. In 1978, it was \$5.4 billion.

In 1979, the Commerce Department reported that more than half of foreign investment in the United States went into stocks and bonds. The rest went into the manufacturing sector (\$20 billion), wholesale and retail trade (\$11 billion), petroleum (\$9.9 billion), finance (\$3.7 billion), insurance

(\$3.4 billion) and real estate (\$1.6 billion).

According to the Securities Industry Association, both gross activity and net purchases by foreign investors of U.S. equities reached record highs last year. Gross activity climbed from \$3.7 billion in 1979 to \$7.5 billion in 1980, and net purchases in 1980 reached \$5.2 billion, topping the record of \$4.7 billion in 1979.

### High Interest Rates

Most of the strength of last year's activity occurred during the first and fourth quarters, when U.S. interest rates were rising to records. According to a Securities Industry Association report, the most dramatic increases in activity from 1979 to 1980 were recorded by Canada (33 percent), Bermuda and the Netherlands Antilles (55 percent), oil-exporting Arab countries (56 percent) and Switzerland and Britain (32 percent).

Among the reasons for these increases, according to the Securities Industry Association, are the following:

• A depressed economy with high unemployment, high inflation and a negative gross national product, coupled with high interest rates and government polarization over how to deal with the economy, have prompted British investors to seek foreign outlets for investment funds. The phasing out of government restrictions on foreign investment in 1970 also encouraged this investment.

• While Swiss investors have been net sellers of U.S. equities in recent years, the easing of upward pressure on the franc allowed for economic growth in 1980 with increasing exports and low interest rates, thus encouraging Swiss investors to seek the high returns available in dollar-denominated assets.

• The Canadian government's plan to impose new taxes on oil and gas companies may have prompted many Canadian investors to turn to energy-related issues of U.S. companies, thus boosting an already high interest in U.S. equities.

• The growing surplus of the oil-exporting Arab countries may have prompted a less conservative approach to money management, toward equity and equity-related investments and away from their normal short-term investments.

About 90 percent of OPEC Arab money in the United States is invested by governments rather than individuals, in government securities and bonds and short-term deposits, said William Hanna, president of the Petra Capital Corp., the first Arab investment bank in the United States, soon to be the first Arab member of the New York Stock Exchange.

The reason, he said, is that the

leading foreign investors like liquid investments because they can get in and out of them quickly. They also like passive investments.

He noted, however, that Arab investors feel less comfortable making direct corporate investments in the United States than elsewhere. This is due to certain regulations seen as burdensome but also to the fact that "like the Japanese a few years ago, they are being characterized here as the 'ugly investor.' And the Arabs don't want to invest where they are not welcome," he said. The OPEC Arabs feel comfortable investing in U.S. real estate, banks and hotels because they have more experience in those areas, Mr. Hanna said.

Among some of the major plant construction investors, however, have been Nissan's \$100-million investment in a 2,200-employee truck assembly plant in Tennessee; BASF of West Germany's \$120-million investment in chemical products plant in Ohio; Honda's \$200-million investment in Ohio; and Volkswagen's \$100-million investment in Michigan.

Last year, about 90 new projects were completed by foreign companies in the United States, about 150 U.S. plants were acquired—about half of the less than \$10 million each. Tom Pierpont, who heads the National Trade Administration, the Department of Commerce.

—LINDA BERG

## Old Bonds Live Again

(Continued from Page 75)

of Georg Hanck und Sohn, claims to be the first bank in the world to set up a special department to advise clients on scriptor investments.

West Germans, Swiss Americans are said to be the most ardent scripophiles, and they are still new.

Like other shares put up for sale, it was carried in a plastic folder around the crowded auction room in the luxurious George V Hotel by a blonde in white shorts and a black leather wallet.

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• The 18th-century share certificate issued by a Barcelona company was then knocked down for \$2,200. One of only four known shares in an early 19th-century French corsair, or government-licensed private pirate ship, permitted to prey on foreign vessels, went for \$1,000.

Shares signed by Thomas Edison fetched \$250 and there is heavy demand for the original Standard Oil Co. shares that bear John D. Rockefeller's signature.

"Last month, Exxon's German subsidiary asked me to try to find one to hang in their boardroom," said Hans-Georg Glensmann, of the small Frankfurt banking house.

## The Salomon Brothers Commitment:

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Our commitment provides all clients with:

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## Members See To in Aid oland

from Page 1)

was the \$30 million notes that Bank sold in the Euro and the so-called a Secured IOUs of finance houses, individuals, and institutions. "The facilities don't fit any category," said a source. "The discussions, partly to say whether should be comfortable" in the resuming the game to a preliminary, a banker said.

bankers complain of dragging of U.S. search for an overall view the Americans affirm. "The U.S. is not moving with New York banker added for attribution. He firm leadership to U.S. lenders into account complained, without

anyway, that "a lot of egos are

insist that they are the economic criteria set by Poland in with creditor govern-

### C. Steel Watch

— The EEC Commission increase its regular fees charged by EEC after June, when a new increase comes from commission sources. They said the commission will check with companies that they are being charged.

## Forecasts on West Germany's Economy Range From 'Mixed' to 'Deteriorating'

By John M. Geddes  
*AP-Bowles*

BONN — West Germany's economic recession is proving to be stubborn.

"Some of the indices aren't at all bad; they are showing a better performance than at the end of last year," said Helmut Schlesinger, vice president of the Bundesbank. "But the picture is still understandably quite mixed."

The indices that do not look good happen to include almost all the major economic indicators. Industrial production fell 4.5 percent in March from February. Inflation accelerated in April to 5.6 percent on an annual basis, from March's 5.5 percent. The deficit in the current account does not seem to have narrowed from last year, when it was equivalent to \$12.17 billion at the Deutsche mark's current rate.

Only unemployment appears to be improving, to 4.9 percent of the work force in April from 5.2 percent in March. But even that figure is not particularly hopeful when one observes that the number of jobs available that month had declined 23 percent from the year earlier to the lowest level since 1959.

Other indicators are a matter of dispute. Mr. Schlesinger, for one, contends that gross national product, real or inflation-adjusted, growth in the first quarter from the last quarter of 1980. But others disagree.

"I don't know where he got those figures," said Gerhard Riedel, chief economist at BHF-Bank. "I can't find such evidence anywhere."

### Less Sanguine

Trinkaus & Burkhardt, a Düsseldorf bank, is even less sanguine, noting in a recent report that, after a 0.5-percent fall in GNP in the last quarter of 1980 from a year earlier, "the comparative figure for the first quarter of this year... will show a marked deterioration."

Besides differing on the current situation, the experts also disagree about the future — just when the upturn will come, the effects of possible foreign exchange fluctuations and the impact that any stimulus program applied by the new French government might have on West Germany.

The government of Chancellor Helmut Schmidt clings to its position that a classical stimulus program, involving tax cuts and government spending, cannot solve current problems and can only exacerbate long-term difficulties. The chancellor has said that the origins of the downturn, including higher oil prices and lagging West German competitiveness, rule out any short-term aid.

Bonn's plan is to provide about \$2.74 billion to

small business at an effective 9.5-percent interest rate for energy-saving investments. Despite its advantages, the plan has had mixed reviews from industry.

The one thing on which business and government are united is their negative judgment of the effects of the Bundesbank's tight-money policies. The bank, whose interest rates are at a postwar high, has argued that it needs to hold interest rates above 12 percent to help offset the Deutsche mark's weakness, which is thought to derive partly from the fact that high U.S. interest rates are drawing funds out of marks and into dollars.

The mark has dropped about 15 percent against the dollar since the beginning of the year. The weaker mark, in turn, increases the mark cost of dollar-denominated imports, thus feeding inflation. It also contributes to West Germany's current account deficit.

A government spokesman said the government will offer a unique exchange-rate guarantee expressed in ECU, the basket currency of the European Monetary System.

The government hopes that the link to the ECU will encourage Belgian investors to repatriate some of the huge pool of capital they have placed in foreign banks, partly out of fear of a depreciation of the Belgian franc, the spokesman said.

### Predictably Skeptical

Some experts are predictably skeptical. They believe that foreign orders may fail to sustain their recent gains and to prod an economic recovery. "It would be wrong to assume here and now that the economy can look forward to a substantial impetus from exports," reported Commerzbank, citing recessions in major overseas markets.

Over the longer term, export changes will be affected by the competitiveness of West German wages. Although the unions settled this year for a relatively small average rise of 5.3 percent, some contend that further steps must be taken to restrain labor costs.

The plan of France's new government to stimulate its economy is another worry. Some West German officials fear that such a program would mean higher inflation in France that would spill over into West Germany.

With such concerns, it is not surprising that a recent poll of businessmen by Munich's IFO institute showed dampened hopes for the next year or so. Another economic survey sounded a note only slightly more positive: "There is a shimmer of hope in the economy, that the recession is not going to get any worse."

## 2 More Australian Banks Plan Merger

*Reuters*

SYDNEY — The second big merger of Australian banks in a week was announced Thursday. The National Bank of Australasia and the Commercial Banking Company of Sydney said they had agreed to join in a deal that will cost National almost 450 million Australian dollars (about \$513 million).

In the biggest merger in Australian corporate history, announced a week ago, the Bank of New South Wales and Commercial

Bank of Australia agreed to join forces in a deal costing the former 700 million Australian dollars.

### Sonatrach Negotiations

*The Associated Press*

ALGIERS — Warren M. Christopher, former U.S. deputy secretary of state, acting for three U.S. gas companies, arrived in Algiers on Thursday for negotiations on independent contracts with officials of Sonatrach, the Algerian state oil and gas corporation.

Both mergers are subject to approval by the Australian government, which is thought unlikely to block them, according to financial sources. If the mergers go through, the number of Australian private banks will be reduced from five to three.

The moves are aimed at forming new banking groups with the capacity to raise the capital needed to fund Australia's resources boom and fight off challenges from big foreign banks for benefits from that boom.

## Belgians Plan Bond Issue To Bridge Budget Deficit

*The Associated Press*

BRUSSELS — Belgium will issue "crisis" domestic bonds next month to help finance the nation's widening budget deficit, which now amounts to about 150 billion Belgian francs (\$4 billion), the government announced Thursday.

The issue, open to both individual and institutional investors, was designed by Premier Mark Eyskens, who proposed the idea in March when he was finance minister.

It was not announced how much the government expects to raise, but officials have said in recent weeks anything under 60 billion Belgian francs would be a "disappointment."

A government spokesman said the government will offer a unique exchange-rate guarantee expressed in ECU, the basket currency of the European Monetary System.

The government hopes that the link to the ECU will encourage Belgian investors to repatriate some of the huge pool of capital they have placed in foreign banks, partly out of fear of a depreciation of the Belgian franc, the spokesman said.

## COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated.

United States	
Carter Hawley Hale Stores	1980
Revenue.....	209.6
Profits.....	2.2*
- Loss figure.....	7.1
Rövnt Dutch/Shell	1981
1st Quer.	1980
Revenue.....	10,510.
Profits.....	320.0
2nd Quer.	1980
Revenue.....	10,200.
Profits.....	715.0
3rd Quer.	1980
Revenue.....	10,100.
Profits.....	700.0
International Harvester	1980
Revenue.....	2,120.
Profits.....	297
Per Share.....	33.9
West Germany	1980
Daimler-Benz	1980
Year	1980
Revenue.....	31,050.
Profits.....	1,100.
France	1980
Automobiles Peugeot	1980
Revenue.....	966.0*
Profits.....	367.0
Year	1980
Citroen	1980
Revenue.....	443.0*
Profits.....	203.0
Japan	1980
Hitachi	1980
Revenue.....	1,95*
Profits.....	1,70*
Mitsubishi Electric	1980
Revenue.....	1,22*
Profits.....	23,190.
Tsushiba	1980
Revenue.....	1,55*
Profits.....	44,240.
1980	1980
Revenue.....	41,040.
Profits.....	1,797

\*—Figure in trillions.

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Profits.....	44,240.
1980	1980
Revenue.....	41,040.
Profits.....	1,797

## U.K. Employers Call For Import Controls

*Reuters*

LONDON — Britain's main employers' organization, the Confederation of British Industry, has called for import controls against Japanese goods if Japan will not accept voluntary limitations.

The CBI said in a report sent to Trade Secretary John Biffen that time had run out in its policy of trying to persuade Japan to take more British and European products to even up the trade imbalance. The confederation said key British industries face destruction unless urgent action is taken.

## AVIS DE CONVOCATION DE L'ASSEMBLÉE GÉNÉRALE DES CO-PROPRIÉTAIRES DU FONDS COMMUN DE PLACEMENT

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Modifications de l'Assemblée Générale: le 19 juin 1981 à 11 heures pour délibérer et décider sur l'ordre du jour suivant:

### ORDRE DU JOUR

— Modification de l'article 8 (Paragraphes B et H), 25 et 26 du règlement de l'Assemblée Générale.

Les Co-propriétaires devront participer à l'Assemblée pour élire au moins 8 jours avant la réunion pour délibérer et décider sur l'ordre du jour suivant:

— Comité d'Énergie de l'Eau, LUXEMBOURG

— Bureau, Rua São Paulo de Torino, TURIN, Italie, indiquant le numéro du dossier versé auprès de l'éditeur bancaire.

Nouvelle Formulation des Articles et Notes Explicatives

ARTICLE 8, PARAGRAPHE B:

Les titres de fonds à l'émission des liquidités disponibles seront placés en valeurs cotées sur les principales bourses de valeurs cotées du monde. Il sera toutefois possible de placer jusqu'à 5% des avoirs nets du fonds en valeurs non cotées sur une bourse officielle mais à condition que ces valeurs soient traitées sur un marché organisé.

Cette proposition poursuit l'objectif de mettre en concurrence les politiques d'investissement au développement continu des marchés bancaires mondiaux sous la forme secondaire.

ARTICLE 8, PARAGRAPHE B:

Les pourcentages énumérés dans B1, C1, D1 et E1 devront servir également à l'accord de la ou des banques dépositaires des votes disponibles et des valeurs cotées.

al. Les modifications ne peuvent être proposées que par la Société de Gestion.

al. Les modifications proposées seront soumises à l'approbation d'une Assemblée Générale des Co-propriétaires qui se tiendra au Siège de la Société de Gestion. Celle-ci devra faire publier des sept jours au moins avant l'Assemblée un journal à grande circulation du Luxembourg, d'Uster et de tous les autres pays où il sera jugé indiqué de faire le faire, un avis de convocation auquel sera joint le journal de l'Assemblée ainsi que les dépliants ou les documents sur lesquels les Co-propriétaires devront déposer leurs voix pour voter à l'Assemblée.

Le dépôt devra être fait huit jours au moins avant l'Assemblée. Chaque Co-propriétaire a le droit de prendre part aux délibérations et de voter aux Assemblées pour soi-même ou par mandat avec une voix égale à celle qu'il représente sans limitation.

La nouvelle formulation de l'article 25 est suggerée en ce qui concerne la formation d'Assemblée. A priori, par l'intermédiaire de l'Assemblée, pour la modification de l'article 25, une partie des Co-propriétaires devra voter pour l'approbation des modifications de l'article 25.

Les modifications proposées sont informées qu'une première Assemblée, avec le même ordre du jour, a été tenue le 27 avril 1981 mais qu'elle n'a pas été régulièrement constituée par décret de quorum reçu. La présente Assemblée convocée pour le 19 juin 1981 délibérera valablement quel que soit le nombre de parts réunies par les Co-propriétaires présents ou représentés.

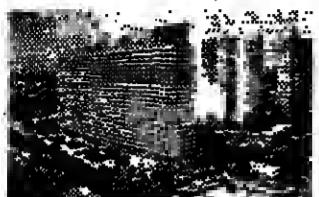
Les résolutions, pour être admises, devront réunir au moins la moitié des parts émises.





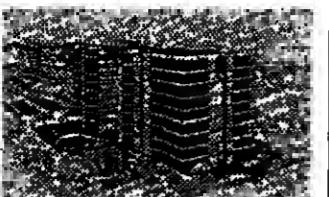
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## Observer

## The Ages of Man

By Russell Baker

NEW YORK — Thirty thousand dollars a week in the pay envelope may be just chopped chicken liver and ginger ale to you, friend, but where I come from it's a six-course meal with baked Alaska in the dessert course and a big dollop of white lightning in the demitasse cup, never mind the milk and sugar.

None of the people of my acquaintance have yet feasted at this ultimate banquet, though many are getting loopy in the tooth and quite a few are now too wobbly in the gums to do it justice. This probably explains my curiosity about Suzanne Somers.

There was an article in the newspapers reporting that though Miss Somers was taking home \$30,000 every Friday night, she was deeply disgruntled about her income and would not be grunted again until she had a hefty pay raise.



Baker

and fortified with the macadamia nuts and little baby hot dogs, and that Uncle Sam is also hogging all the bourbon.

In short, maybe she really needs fancier pay to arrange for the cocktail years. The real question is: After the cocktail hour of your life, what?

The cocktail hour ought to be relatively cheap. A pint of gin, half a lemon, a few olives, an ounce or two of vermouth, and you're well fixed. It's the dinner hour that breaks the bank. Let's look at the arithmetic:

You can't swing the cocktail hour of your life on \$30,000 a week, so let's say you squeeze the boss to raise it to \$40,000. After five years of the gin, the lemon, the olives, the little bit of vermouth, for which you've laid in \$40,000 a week, you reach age 45 or 50 and you say, "It's the dinner hour of my life."

\* \* \*

Are you going to the pizza parlor and eat for \$5? Not with all that gin in you. You go some place where dinner is going to cost \$40 a plate, which is four times what you needed for the cocktail hour of your life. So to get through the dinner hour of your life, you need \$160,000 a week.

About age 55, what do you face? The after-dinner hour of your life. You know what that means. Expensive liquors. Brandy. Drambuie. Benedictine. Crème de menthe. Let's not go into the price of those. Let's go to the next step: The hangover hour of your life.

You say you'd rather skip the hangover hour of your life? I'm with you, friend. It's been known to last 20 or 25 years even in Southern California.

In the lobby of the Beverly Hills Hotel, they ouudge you. "See that shoeshine man over there? In the cocktail hour of his life, he drove a Cadillac. In the dinner hour of his life, a Rolls-Royce. Now he's in the hangover hour of his life and I wouldn't even let him wash my tennis shoes."

All this fellow can look forward to is a special Oscar on Academy Awards night, before which they will show old film clips of his greatest shoeshines. Maybe Miss Somers should think beyond the cocktail hour and demand the whole bankroll right now.

New York Times Service

## Alain Robbe-Grillet

## Uncorking the Genie of Grammar

By Lara Marlowe

International Herald Tribune

PARIS — "He had an incredible capacity for fantasizing, which led him constantly to transform everyday life and the most simple events into strange, romantic adventures."

"Yes, yes, that's me!" the French filmmaker and novelist Alain Robbe-Grillet admitted, identifying himself with the main character of his latest novel, "Djinn."

"It is a description of a child, of someone in love. That's how one falls in love — the euphoria — love is like that, something that transforms. The writer does that too, at least I do."

The little girl in his novel, "like all children and poets ... enjoys playing with meaning and nonsense." Robbe-Grillet considers himself, at 58, to be both a child and poet. In "Djinn" the influence of Lewis Carroll and "Through the Looking Glass" are the books I have read most in my life." is felt in the obstacle-course nature of the hero's adventures and in the absurdly wise reflections of the characters.

On another level "Djinn," as far as its author knows, is the only literary work to have been written with the intention of teaching grammar.

## Playful Humor

It is especially the playful humor of "Djinn" that separates it from Robbe-Grillet's earlier books. One passage, a "love and science fiction story" told by the narrator, is a tale of a young noblewoman, who, unaware of his "cybernetic character," marries a robot. She begins to grow suspicious when she wakes up early one morning to catch him "colling the mechanism of his coxo-femoral joint." The robot goes to the crucifix and dies at the walls of Jerusalem when an infidel's poisoned arrow pierces his armor and shorts-circuits his electronic brain.

Ironically, the narrator, under the influence of love, grows "robotlike himself, till at the end of the novel we are not sure whether he was human.

"Are these people human beings or not?" Robbe-Grillet

asked rhetorically. "I don't know. They are terribly well made for robots, but on the other hand, they have bizarre features for human beings; for example the fact that they all look alike. Maybe they are being experienced on someone else." He chuckled.

"Love and science fiction have a lot in common. When a young man meets a young girl and falls in love with her, she is something marvelous, improbable, inexplicable — as if she had fallen from the planet Mars. This is the theme of all romantic literature — and also of science fiction."

Simon Lecoeur, the narrator-hero of "Djinn," meets blond, green-eyed, American Jean in Paris when he answers a job advertisement in true Robbe-Grillet detective story style, the young woman, who apparently heads an international secret organization against machines, appears in an abandoned warehouse at dusk, dressed in a trench coat, dark glasses and fedora. From this moment the novel becomes one in the narrator's words, "a shaggy dog story."

The story becomes a jumble of recurring places and objects: a cafe which no longer serves pizza, the alley where only Simon and the children go, red windowpanes, dumplings, red liquid between paving stones, a photo of a sailor who perished at sea (this Breton grandfather, Robbe-Grillet reveals).

"The world is much more bizarre than people want to admit, much more strange, rich, exciting." As Robbe-Grillet's other novels, time, space and personal identity have no meaning here.

"Djinn," the French equivalent of "genie" or "jinn" in English and pronounced like the American woman's name Jean, came out simultaneously in Paris and New York on March 3, a first for any French novel. The New York version, titled "Le Rendez-vous," is a university text with grammatical notes, exercises and glossary by Yvonne Lenard, who wrote the "Parole et Pensée" series familiar to many Americans who have studied French.

When Robbe-Grillet was teaching a seminar at UCLA in 1978, Mrs. Lenard complained to

him that not only did her French texts bore her students, they often found them laughable. "The idea would be for a novelist to write them, but no writer would accept the constraints of preparing a textbook," she told Robbe-Grillet, who replied that he would do it.

He quickly wrote the first chapter of "Djinn" in the present indicative tense. She added the lessons, and sent it to Holt, Rinehart and Winston who, in Robbe-Grillet's words, "said 'fantastic' and signed a contract right away."

The New York publishers have been testing the book on readers and students, who report that although they found the story a bit complicated, they always wanted to go on reading. Successive chapters are increasingly difficult grammatically, and the novel, about people (or robots?) who end up having memories of their future, is written in such a way that the complex verb tenses are consistent with the story.

"We won't know how many American professors will decide to use the book until next fall," Robbe-Grillet said, "but the surprising thing is that there are lyrics in France which have already adopted the book for their curricula. They're saying, 'It's not fair, why only for the Americans, why not for French students too?' They need exactly the same thing, since the French they learn at home is neither complex nor complete."

Versions of the book are already being prepared for Spanish and Japanese students of French. The French version of the book is published (by Editions de Minuit) without the lessons.

"When the book was finished, I had French friends read it without telling them it was meant to teach grammar. None of them realized it. It was a novel like any other. There is something else even funnier than that. All of a sudden, the whole dispute about the *nouveau roman* broke out again."

## Literary Comeback

The *nouveau roman*, a literary genre begun by Robbe-Grillet and others in the 1950s, has never been accepted by French liter-



Author Robbe-Grillet

ary traditionalists. The *nouveau roman* writers reject all of the elements of what Robbe-Grillet calls 19th-century fiction, that is to say characters, plots, chronology, consistency. These conventions create a false semblance of reality, which, they say, is on the contrary fraught with confusion, repetition and continual transformations. Needless to say, *nouveau roman* can be difficult reading, and their complexity has often given them the reputation of being mere intellectual obfuscation. "Djinn" is a delightful exception to the popular wisdom that such novels are boring.

The debate was revived when Le Monde published a review of "Djinn" which stated that not only did the *nouveau roman* still exist, it was only contemporary French novel, for there had been no other literary movements in France since the war. Other publications took sides.

Written into the exercise of the text book version of "Djinn" is a comparison of the *nouveau roman* and traditional forms of fiction. Robbe-Grillet takes obvious pleasure at the thought that he may thus win a whole generation over to the *nouveau roman*.

"I had a great time doing it," he said gleefully, "and I know that all of the people who detect me are furious at the idea that I am going to contaminate students learning French all over the world."

## PEOPLE: Birthday Greetings Sent To Sakharov at Age 60

Nobel Peace Prize winner Andrei Sakharov turned 60 with only his wife as company, but admirers from all over the world sent telegrams supporting his struggle for human rights in the Soviet Union. Sakharov and his wife, Yelena Bonner, planned to celebrate the day with a birthday cake in their exile home in Gorki, 250 miles from Moscow. Mrs. Bonner had said earlier. . . . In Tel Aviv, the Weizmann Institute of Science said it had sent a cable to Sakharov for his birthday. Professor Michael Sela, president of Israel's leading scientific research institute, said the cable expressed "affectionate admiration, not only for your immense scientific accomplishments, but also for your heroic stand for the greater good of mankind."

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Artist Lee Waisler dumped several tons of fresh horse manure in front of the Los Angeles Times, saying he was protesting critics' "dumping" of art in particular, an unfair Times review of his work, 1-year-old "Abstract Express."

Polish independent union leader Lech Walesa has been elected "piperian of the year" by the British Pipe-smoker's Council and invited to Philadelphia to receive the city's Freedom Medal. The Polish news agency quoted the British group as saying that "watching all smiling and talking about the latest events is a good way to go on reading. Successive chapters are increasingly difficult grammatically, and the novel, about people (or robots?) who end up having memories of their future, is written in such a way that the complex verb tenses are consistent with the story."

"We won't know how many American professors will decide to use the book until next fall," Robbe-Grillet said, "but the surprising thing is that there are lyrics in France which have already adopted the book for their curricula. They're saying, 'It's not fair, why only for the Americans, why not for French students too?' They need exactly the same thing, since the French they learn at home is neither complex nor complete."

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The U.S. Immigration and Naturalization Service has granted Chinese ballet dancer Li Cunxin, who secretly married an American dancer, permission to remain in the United States. The soloist with the Houston Ballet was given his "green card," the INS identification for resident aliens, according to officials in Houston. Li retains his Chinese citizenship. Li, who has been with the Houston Ballet since 1979, married Elizabeth Mackay of West Palm Beach, Fla., a student studying at the Houston Ballet Academy, a few days before his visa expired on April 29.

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The American Academy and Institute of Arts and Letters bestowed its Gold Medal on artist Raphael Soyer and writer-critic Malcolm Cowley. The academy

and board of trustees

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CBS announced it has signed PBS newcomer Bill Moyers to a five-year contract under which the public television network will serve in a variety of projects with emphasis on the needs of the world.

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Supernova Cheryl Tiegs, 31, is marrying photographer Peter Beard on May 24, but she accepted another proposal.

From Robert Joseph, 31, the old music director of the American Philharmonic Orchestra.

But instead of marriage, Tiegs proposed that Miss Tiegs, 31, an American Philharmonic soloist, marry his wife, Linda, 29, a board and board of trustees

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